IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Prospectus following this notice. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS NOTICE, YOU MAY NOT READ, ACCESS OR OTHERWISE USE THE ATTACHED PROSPECTUS.

THE OFFER GDRS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORIZED TO AND MAY NOT FORWARD OR DELIVER THE ATTACHED PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: The attached Prospectus is being sent at your request and by accepting this e-mail and accessing this Prospectus, you shall be deemed to have represented to us that: (1) you and any customers you represent are outside the United States as defined in Regulation S under the Securities Act and that the e-mail address to which this Prospectus has been delivered is not located in the United States, its territories, possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and other areas subject to its jurisdiction, and, to the extent you purchase the securities described in the attached Prospectus, you will be doing so in an offshore transaction in reliance on Regulation S under the Securities Act; and (2) you consent to delivery of the attached Prospectus and any amendments or supplements thereto by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not nor are you authorized to forward or deliver the attached Prospectus, electronically or otherwise, to any other person. If you receive the attached Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function

on your e-mail software, will be ignored or rejected. If you receive the attached Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by any of Gotion High-tech Co., Ltd. (the "Company"), and China International Capital Corporation (UK) Limited and Haitong International Securities Company Limited (the "Joint Global Coordinators"), and China International Capital Corporation Hong Kong Securities Limited, Huatai Financial Holdings (Hong Kong) Limited, CLSA Limited and ABCI Securities Company Limited (together with the Joint Global Coordinators, the "Joint Bookrunners") (or, where applicable in any jurisdiction that requires the offering to be made by a licensed broker or dealer, by such affiliates as are licensed in that jurisdiction for such purpose) that would or is intended to, permit a public offering of the securities, or possession or distribution of the attached Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Company in such jurisdiction.

In Switzerland, Offer GDRs will be offered solely to professional clients within the meaning of article 4 para 3 of Swiss Financial Services Act, as amended ("**FinSA**"). The Offer GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. Each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

The attached Prospectus is only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**") who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") ("**Qualified Investors**"). In addition, in the United Kingdom, the attached Prospectus is being distributed only to, and is directed only at, persons who are "qualified investors" within the meaning of Article 2 of the Prospectus Regulation (Regulation (EU) 2017/1129) as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018 and who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) are high-net-worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The attached Prospectus is directed only at relevant persons in the United Kingdom and Qualified Investors in any member state of the EEA and must not be acted on or relied on: (i) in the United Kingdom, by persons who are not relevant persons; and (ii) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or investment activity to which the attached Prospectus relates is available only to: (i) in the United Kingdom, relevant persons; and (ii) in any member state of the EEA, Qualified Investors, and will be engaged in only with such persons.

IMPORTANT NOTICE

The attached Prospectus has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Company, the Joint Bookrunners, their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Company, the Joint Bookrunners or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.

None of the Joint Bookrunners, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of the attached Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the offering.

The Joint Bookrunners and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the attached Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Joint Bookrunners or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the attached Prospectus.

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the offering. They will not regard any other person (whether or not a recipient of the attached Prospectus) as their client in relation to the offering and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for giving advice in relation to the offering or any transaction or arrangement referred to herein.

国轩高科
GOTION HIGH-TECH

Gotion High-tech Co., Ltd.

(a joint stock company established under the laws of the People's Republic of China with limited liability)

Offering of up to 33,294,157 Global Depositary Receipts and up to an additional 16,647,078 Global Depositary Receipts pursuant to an Upsize Option representing A Shares within an Offer Price Range between US$30.00 and US$30.28 per Global Depositary Receipt

This prospectus (the "**Prospectus**") relates to (i) an offering (the "**Offering**") by Gotion High-tech Co., Ltd. (the "**Company**") of up to 33,294,157 GDRs (the "**Firm GDRs**") and up to an additional 16,647,078 GDRs pursuant to an Upsize Option (as defined below) (the "**Upsize GDRs**," together with the Firm GDRs, the "**Offer GDRs**" or the "**GDRs**") with one GDR representing an interest in five A shares of the Company with a fully paid nominal value of RMB1.00 each (the "**A Shares**"), and (ii) a listing of all Offer GDRs and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with the Depositary (as defined below) on SIX Swiss Exchange AG ("**SIX Swiss Exchange**") in accordance with its Standard for Depository Receipts. The Offer GDRs represent 249,706,175 A Shares.

The Offering consists of: (i) placements in Switzerland solely to professional clients within the meaning of article 4 para 3 of the Swiss Financial Services Act, as amended ("**FinSA**"); and (ii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and/or Regulation (EU) 2017/1129 as it forms part of domestic UK law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"). All offers and sales outside the United States will be made in compliance with Regulation S.

The Offering is expected to take place from July 25, 2022 until 18:00 Central European Summer Time ("**CEST**") on July 25, 2022 (the "**Offer Period**"). It is currently expected that the final offer price (the "**Offer Price**") for the Offer GDRs will be set within the offer price range of US$30.00 to US$30.28 (the "**Offer Price Range**"). The Offer Price Range is indicative only and may change during the course of the Offering. The Offer Price will be determined among the Company and the Joint Global Coordinators following a bookbuilding process. The Company expects to publish the final Offer Price and the final number of Offer GDRs sold in the Offering by a media release and in a pricing supplement to this Prospectus (the "**Supplement**") on or around July 25, 2022 before the start of trading on SIX Swiss Exchange. This Prospectus and the Supplement shall together constitute the final prospectus.

This Prospectus dated July 25, 2022 has been approved by SIX Exchange Regulation AG in its capacity as review body (the "**Review Body**") pursuant to article 52 of FinSA on July 25, 2022. In addition, application has been made and approval has, subject to certain customary conditions, been given for the listing of up to 49,941,235 GDRs to be issued on or around July 28, 2022 (the "**Closing Date**"), corresponding to 249,706,175 A Shares, and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with the Depositary on SIX Swiss Exchange in accordance with the Standard for Depository Receipts. The Company expects that the Offer GDRs will be listed, and trading in the Offer GDRs will commence, on SIX Swiss Exchange on or around July 28, 2022 (the "**First Day of Trading**") under the symbol "GOTION." The GDRs will be denominated in USD.

The GDRs are to be issued pursuant to a deposit agreement (the "**Deposit Agreement**") against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with Citibank, N.A., as depositary (the "**Depositary**"). The A Shares are listed and traded on the Shenzhen Stock Exchange under the stock code 002074. Prices for the A Shares traded on the Shenzhen Stock Exchange may not reflect the value of the GDRs. Approval of the Review Body has not been sought by the Company for this Prospectus in relation to the A Shares and no such A Shares will be offered by the Company in the Offering and/or listed on SIX Swiss Exchange or any other stock exchange in Switzerland.

See "*Risk Factors*" beginning on page 23 to read about factors you should consider before buying the Offer GDRs. Purchasing the Offer GDRs involves risks. The GDRs are of a specialist nature and should only be bought and traded by investors who are particularly knowledgeable in investment matters. Prospective investors should read this entire Prospectus.

This Prospectus does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The GDRs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. Accordingly, the Offer GDRs are being offered and sold outside the United States in offshore transactions in compliance with Regulation S. Each purchaser of the Offer GDRs hereby, in making a purchase, will be deemed to have made certain acknowledgements, representations and agreements as set out in "*Important Information about the Offering*" and "*Selling and Transfer Restrictions.*" For a discussion of certain restrictions on transfers of the GDRs in other jurisdictions, see "*Notice to Investors*," "*Terms and Conditions of the Global Depositary Receipts*" and "*Selling and Transfer Restrictions.*"

The GDRs will be issued in global form. The GDRs will be evidenced by a master global depositary receipt certificate (the "**Master GDR Certificate**") registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**"). Except as described herein, beneficial interests in the Master GDR Certificate will be shown on, and transfers thereof will be effected through the records of Euroclear and Clearstream. It is expected that delivery of the GDRs will be made against payment therefor in USD in same day funds through the facilities of Euroclear and Clearstream on or about the Closing Date. See "*Clearing and Settlement.*"

Joint Global Coordinators and Joint Bookrunners

(in alphabetical order)

CICC **Haitong International**

Joint Bookrunners

Huatai International **CLSA** **ABCI**

The date of this Prospectus is July 25, 2022.

Gotion High-tech Co., Ltd. (the "**Company**"), which is organized as a joint stock company under the laws of the People's Republic of China (the "**PRC**") with limited liability, assumes responsibility for the completeness and accuracy of the information in this Prospectus and any supplement. The Company confirms that, to the best of its knowledge, the information contained in this Prospectus is correct and that no material facts or circumstances have been omitted.

This Prospectus has been prepared in accordance with FinSA and its implementing ordinance for the purposes of offering the GDRs and listing the GDRs on SIX Swiss Exchange in accordance with the Standard for Depository Receipts.

The information contained in this Prospectus has been provided by the Company and by the other sources identified in this Prospectus. No representation or warranty, express or implied, is made by the Joint Global Coordinators and the Joint Bookrunners (collectively, the "**Managers**") or any of their respective representatives, affiliates or advisors as to the accuracy, completeness or verification of this information set forth in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future, by the Managers or by their respective representatives, affiliates or advisors. The Managers assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Managers nor any of their respective affiliates that any recipient of this Prospectus should subscribe for the Offer GDRs. Each potential subscriber of Offer GDRs should determine for itself the relevance of the information contained in this Prospectus, and its subscription for the Offer GDRs should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to their own investment objectives and experience and any other factors that may be relevant to such potential subscriber in connection with the subscription for the Offer GDRs.

As the A Shares are listed on the Shenzhen Stock Exchange, the Company has been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time the Group publicly releases information relating to itself on the Shenzhen Stock Exchange or other media outlets designated by the China Securities Regulatory Commission (the "**CSRC**"). However, the information announced by the Company in connection with its A Shares is based on the regulatory requirements of the securities authorities and market practice in the PRC, which are different from those which will be applicable to the GDRs following the listing of the Offer GDRs on SIX Swiss Exchange. Such information does not and will not form a part of this Prospectus. As a result, prospective investors in the Offering are reminded that, in making their investment decision as to whether to purchase the Offer GDRs, they should rely only on the financial, operating and other information included in this Prospectus. By applying to purchase Offer GDRs in the Offering, prospective investors will be deemed to have agreed that they will not rely on any information other than that contained in this Prospectus and any formal announcements made by us in the PRC with respect to the Offering.

This Prospectus does not constitute: (i) an offer to sell, or a solicitation of an offer to buy any securities other than the securities to which it relates; or (ii) an offer to sell, or the solicitation of an offer to buy, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Each prospective investor in the Offer GDRs (each, an "**Offeree**"), by accepting delivery of this Prospectus, will be deemed to have acknowledged, represented to and agreed with the Company and the Managers that:

(i) this Prospectus is personal to such Offeree and does not constitute an offer to any other person, or to the public generally, to purchase or otherwise acquire the Offer GDRs. Distribution of this Prospectus or disclosure of any of its contents to any person other than such Offeree and those persons, if any, retained to advise such Offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Joint Global Coordinators, is prohibited;

(ii) the Offeree will not make any photocopies or electronic copies of this Prospectus or any documents referred to herein (other than for its own use); and

(iii) the Offeree will not forward or deliver this Prospectus (in any form) electronically or otherwise, to any other person or reproduce such Prospectus in any manner whatsoever.

The information contained in this Prospectus is accurate only as of its date. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. Any significant new factor or material inaccuracy related to the information included in this Prospectus which is capable of affecting the assessment of the Offer GDRs and which arises or is noted between the date of this Prospectus and the First Day of Trading or, as the case may be, the time when trading in the GDRs on SIX Swiss Exchange begins, will be announced through electronic media or through a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l).

In connection with the Offering, the Managers are not acting for anyone other than the Company. The Managers will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the Offering or any transaction or arrangement referred to herein. No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized.

In making an investment decision, investors must rely on their own examination, analysis and investigation of the Company and the terms of the Offering, including the merits and risks involved. Any decision to buy the Offer GDRs should be based solely on this Prospectus, the Supplement and any other supplement hereto, taking into account that any summary or description set forth in this Prospectus of legal provisions, accounting principles or comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be considered to be legal, accounting or tax advice or be otherwise relied on. This Prospectus does not contain all the information that would be included in a prospectus for the offering of the Offer GDRs if such offering were registered under the Securities Act or pursuant to the Prospectus Regulation (as defined herein). None of the Company, the Managers or any of their respective representatives, is making any representation to any Offeree or purchaser of GDRs regarding the legality of an investment in the GDRs by such Offeree or purchaser under the laws applicable to such Offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the GDRs.

Each investor acknowledges that:

(i) it has not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this Prospectus or its investment decision;

(ii) it has relied only on the information contained in this Prospectus; and

(iii) no person has been authorized to give any information or to make any representation concerning the Company or its subsidiaries or the GDRs (other than as contained in this Prospectus) and, if given or made, any such other information or representation has not been relied upon as having been authorized by the Company or the Managers or any of their respective affiliates.

Subject to the allocation directive for the new issue market issued by the Swiss Bankers Association on March 29, 2004, which entered into legal force on January 1, 2005, as amended in January 2008, each of the Managers and any of their respective affiliates, acting as an investor for its own account, may, in connection with the Offering, take up a portion of the Offer GDRs in the Offering as a principal position and in that capacity may retain, purchase or sell for its own account such GDRs and any GDRs or related investments and may offer or sell such GDRs or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Offer GDRs being offered or placed should be read as including any offering or placement of GDRs to any of the Managers or any of their respective affiliates acting in such capacity. None of the Managers intends to disclose the extent of any such investment or transactions, otherwise than in accordance with any legal or regulatory obligation to do so.

Availability of Information

Copies of this Prospectus, the Supplement and any other supplements to the Prospectus are/will be available free of charge for 12 months following the First Day of Trading on SIX Swiss Exchange from Gotion High-tech Co., Ltd., No. 566 Huayuan Boulevard, Baohe District, Hefei, Anhui province, the PRC (phone: +86 0551-6210 0213; email:gxgk@gotion.com.cn).

Information on the Company's website, any website directly or indirectly linked to the Company's website or any website mentioned in this Prospectus does not constitute in any way part of this Prospectus and is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to invest in Offer GDRs.

The Company may withdraw the Offering at any time prior to the First Day of Trading, and the Company and the Managers reserve the right to reject any offer to subscribe for the Offer GDRs, in whole or in part, and to sell to any prospective investor less than the full amount of the Offer GDRs sought by such investor.

The distribution of the Prospectus and the Offering are restricted by law in certain jurisdictions. Therefore, persons into whose possession the Prospectus comes and persons who would like to purchase the Offer GDRs pursuant to the Offering should inform themselves about and observe such restrictions. You must inform yourself about, and observe, any such restrictions. See "*Terms and Conditions of the Global Depositary Receipts*" and "*Selling and Transfer Restrictions*" elsewhere in this Prospectus. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. You must comply with all applicable laws and regulations in force in any jurisdiction in which you subscribe, purchase, offer or sell the Offer GDRs or possess or distribute this Prospectus and must obtain any consent, approval or permission required for your subscription, purchase, offer or sale of the Offer GDRs under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such subscriptions, purchases, offers or sales. None of the Company, the Managers nor any of their respective affiliates is making an offer to sell the Offer GDRs or a solicitation of an offer to buy any of the Offer GDRs to any person in any jurisdiction except where such an offer or solicitation is permitted or accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of applicable restrictions.

The offer of the Offer GDRs may be affected by the laws of the jurisdictions in which the offerees reside. No action has been or will be taken in any jurisdiction that would permit a public offering of the Offer GDRs or the possession, circulation or distribution of the Prospectus or any other material relating to the Company or Offer GDRs in any jurisdiction where action for that purpose is required. Accordingly, the Offer GDRs may not be sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer GDRs may be distributed or published, in any form or in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, rules and regulations of any such country or jurisdiction. Prospective investors should consult their professional advisors as to whether they require any governmental or other consents or authorizations, or need to observe any formalities to enable them to purchase Offer GDRs in the Offering. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. None of the Company, the Managers or any of its or their respective representatives, affiliates or advisors accept any legal responsibility for any violation of applicable securities laws.

The Offer GDRs are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any other jurisdiction. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. For a description of certain restrictions on transfers of the Offer GDRs, see "*Selling and Transfer Restrictions*."

Notice to Investors in Switzerland

In Switzerland, Offer GDRs will be offered solely to professional clients within the meaning of article 4 para 3 of FinSA. The GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. Each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

Notice to United States Investors

The Offer GDRs have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and are being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S.

THE OFFER GDRS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE IN THE UNITED STATES.

Notice to Certain European Investors

European Economic Area

In relation to each member state of the European Economic Area, no Offer GDRs have been offered or will be offered pursuant to the Offering to the public in that member state prior to the publication of a prospectus in relation to the Offer GDRs that have been approved by the competent authority in that member state or, where appropriate, approved in another member state and notified to the competent authority in that member state, all in accordance with the Prospectus Regulation, except that offers of Offer GDRs may be made to the public in that member state at any time under the following exemptions under the Prospectus Regulation:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Offer GDRs shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Offer GDRs in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

In the case of any GDRs being offered to a financial intermediary as that term is used in the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the GDRs acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in a member state to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

United Kingdom

No Offer GDRs have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer GDRs has been approved by the Financial Conduct Authority, except that the Offer GDRs may be offered to the public in the United Kingdom at any time:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(iii) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000 (the "**FSMA**"),

provided that no such offer of the Offer GDRs shall require the Company or any Manager to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Offer GDRs in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The issue and distribution of this Prospectus is restricted by law. In the United Kingdom, this document is not being distributed by, nor has it been approved for the purposes of Section 21 of the FSMA by, a person authorized under the FSMA. In the United Kingdom, this document is for distribution only to, and directed only at, persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation and who: (i) have professional experience in matters relating to investments (being investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**")), (ii) are persons falling within article 49(2)(a) to (d) (*high net worth companies, unincorporated associations etc.*) of the Financial Promotion Order, or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, this document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Prospectus should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company. The Offer GDRs are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

In the case of any GDRs being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the GDRs acquired by it in the Offering has not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in the United Kingdom to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

Notice to Investors in Canada

This Prospectus constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Offer GDRs. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Prospectus or on the merits of the Offer GDRs and any representation to the contrary is an offence.

The Offer GDRs may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and that are not created or used solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of "accredited investor."

Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"). Pursuant to section 3A.3 of NI 33-105, this document is exempt from the requirement that the issuer and the underwriters in the offering provide Canadian investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Securities legislation in certain provinces or territories of Canada may provide Canadian purchaser with remedies for rescission or damages if an "prospectus" such as this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

The offer and sale of the Offer GDRs in Canada is being made on a private placement basis only and is exempt from the requirement that the issuer prepares and files a prospectus under applicable Canadian securities laws. Any resale of the Offer GDRs must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction. These resale restrictions may under certain circumstances apply to resales of the Offer GDRs outside of Canada.

Upon receipt of this Prospectus, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Offer GDRs described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Notice to Other Investors

DIFC

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The GDRs to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the GDRs offered should conduct their own due diligence on the GDRs. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Japan

The GDRs have not been and will not be registered under the Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Identification of Target Market

European Economic Area

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer GDRs have been subject to a product approval process by each Manager established in the EEA, which has determined that the Offer GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**MiFID II Target Market Assessment**").

United Kingdom

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**", and together with the MiFID II Product Governance Requirements, the "**Product Governance Requirements**"), and/or any equivalent requirements elsewhere, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements and/or any equivalent requirements elsewhere) may otherwise have with respect thereto, the Offer GDRs have been subject to a product approval process by each Manager established in the UK, which has determined that the Offer GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each defined in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**UK Target Market Assessment**", and together with the MiFID II Target Market Assessment, the "**Target Market Assessment**").

General

Notwithstanding the Target Market Assessment, distributors should note that the price of the Offer GDRs may decline and investors could lose all or part of their investment; the Offer GDRs offer no guaranteed income and no capital protection; and an investment in the Offer GDRs is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

The Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the Offering.

Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) in the case of the MiFID II Target Market Assessment, an assessment of suitability or appropriateness for the purposes of MiFID II and in the case of the UK Target Market Assessment, an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer GDRs. Each distributor is responsible for undertaking its own relevant target market assessment in respect of the Offer GDRs and determining appropriate distribution channels.

Notice to all investors

Investors should be aware that foreign investors are not generally able to hold A shares in Chinese companies pursuant to restrictions under PRC law, subject to certain limited exemptions, such as for Qualified Foreign Institutional Investors ("**QFIIs**") and RMB Qualified Foreign Institutional Investors ("**RQFIIs**," together with QFIIs, "**QFIs**").

However, one of the features of the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges is that investors will be able to (i) buy GDRs by requesting a designated broker ("**Designated Broker**") to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares and (ii) sell GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange. Pursuant to the Regulatory Provisions on Deposit Receipts under Stock Connect Regimes between Domestic and Overseas Stock Exchanges (境内外证券交易所互联互通存托凭证业务监管规定) published by the CSRC on February 11, 2022 (the "**DR Provisions**") and Interim Measures for the interconnection between Shenzhen Stock Exchange and overseas stock exchanges for the listing and trading of depositary receipts (深圳证券交易所与境外证券交易所互联互通存托凭证上市交易暂行办法) published by the Shenzhen Stock Exchange on March 25, 2022, the creation and redemption of GDRs in connection with the purchase and sale of underlying A Shares may only be facilitated by the Designated Brokers who hold accounts with Shenzhen Stock Exchange members enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to certain quotas imposed by relevant regulators) and providing relevant instructions to the Depositary. For further details, see "*Offering and Sale—Trading GDRs*."

This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place buy and sell orders with the Designated Brokers who are able to seek the best price for the security from either market.

It should be noted that, pursuant to the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges, GDR holders will not be permitted to redeem their GDRs and hold the underlying A Shares in their on-shore accounts (such as QFII or RQFII accounts, where they have such an account) or have the underlying A Shares held on their behalf by a Designated Broker. GDR holders that are QFIIs and RQFIIs (or are otherwise able to hold A Shares through another exemption) that wish to redeem some or all of their GDRs to hold A Shares would need to sell such GDRs (either on the SIX Swiss Exchange or by redeeming their GDRs and selling the underlying A Shares on the Shenzhen Stock Exchange, as described above) and separately buy A Shares outside of the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges to be held in a separate (existing or newly established) QFII or RQFII or other account.

In addition, pursuant to the DR provisions GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the First Day of Trading of Global Depositary Receipts. Therefore, for such period, GDR holders will not be able to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and will only be able to sell their GDRs through SIX Swiss Exchange or another legitimate trading venue. For the avoidance of doubt, during such period investors will be able to buy GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares.

Investors should also be aware that pursuant to the DR Provisions the aggregate holding of a single overseas investor of the equities of the Company (including the A Shares and GDRs whether held directly or indirectly) shall not exceed 10% of the total shares of the Company. In the event an overseas investor’s holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions also require that the aggregate holdings of A Shares of all overseas investors in the Company shall not exceed 30% of the total shares of the Company. In the event the 30% limit is exceeded, the CSRC may require overseas investors to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas investors’ strategic investments as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (外国投资者对上市公司战略投资管理办法).

Pursuant to the Measures for the Administration of Acquisition of Listed Companies (上市公司收购管理办法) promulgated by the CSRC and last amended in March 2020, any person who holds 5% or more of the outstanding shares in a listed company (including the Company) shall, within three days upon its shareholding in the listed company reaching such percentage, (i) prepare a report on its change of shareholding, (ii) notify the CSRC, the relevant stock exchange and the listed company, and (iii) make an announcement on such event. In addition, a person and person act in concert holding 5% or more of a listed company’s outstanding shares shall be subject to the same reporting and announcement obligations as set out above each time its shareholding in the listed company increases or decreases by 5%. Unless otherwise stipulated by the CSRC, persons will be subject to trading restrictions before and/or within a period of time after the reporting, filing and disclosure obligations are fulfilled. A person and person act in concert holding 5% or more of the outstanding shares in a listed company may file a short form equity change report if it holds less than 20% of the outstanding shares in the listed company and it is not the largest shareholder or de facto controlling person of the listed company; otherwise it will be required to file a long form equity change report disclosing its shareholding. A person and person act in concert holding more than 20% but less than 30% of the outstanding shares in a listed company will be required to file a long term equity change report. Pursuant to the DR Provisions, an investor's holding of GDRs will be aggregated with its holding of the Company's outstanding Shares through other channels, including but not limited to, any direct holding of the Company's A Shares, as well as the holding of GDRs and Shares by persons acting-in-concert with such investor. The Company is also required to disclose in its annual reports, among other things, information on persons holding 5% of its Shares, together with any changes to their shareholding and any pledge or encumbrance over the Shares held by such persons.

General Sales Restrictions

No action has been or will be taken by the Company or the Managers in any jurisdiction that would, or is intended to, permit a public offering of the Offer GDRs, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where further action for that purpose is required.

Each purchaser will be deemed to have acknowledged, represented and warranted that it understands and agrees to the foregoing restrictions set out in this section.

This Prospectus contains various forward-looking statements that reflect the views of our management with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology or subjective assessments, including the words "aims," "believes," "estimates," "forecasts," "anticipates," "projects," "expects," "intends," "may," "will," "plans," "continue" or "should" or, in each case, their negative or similar expressions. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places throughout this Prospectus, including, without limitation, in "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry and Market Overview*," and "*Our Business*," and include, among other things, statements relating to:

- our ability to develop and manage our operations and business;
- our strategies for growth and sources of new revenue;
- economic outlook, industry trends and challenges, and impact of regulatory initiatives;
- the competitive environment in which we operate;
- our ability to attract and retain quality employees;
- the impact of catastrophic or unforeseen events;
- the expectations and assumptions regarding the impact of the COVID-19 pandemic on us and our customers; and
- our success at managing the risks associated with the aforementioned factors.

Although our management believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors, including, among other things:

- capital market volatility, inflation, interest rate and exchange rate fluctuations;
- changes in the industry and regulatory environment in which we operate;
- the failure of third parties to provide their services or meet their obligations;
- the severity and duration of the COVID-19 pandemic and its resulting global economic uncertainty as well as the measures taken by governments and businesses in response thereto;

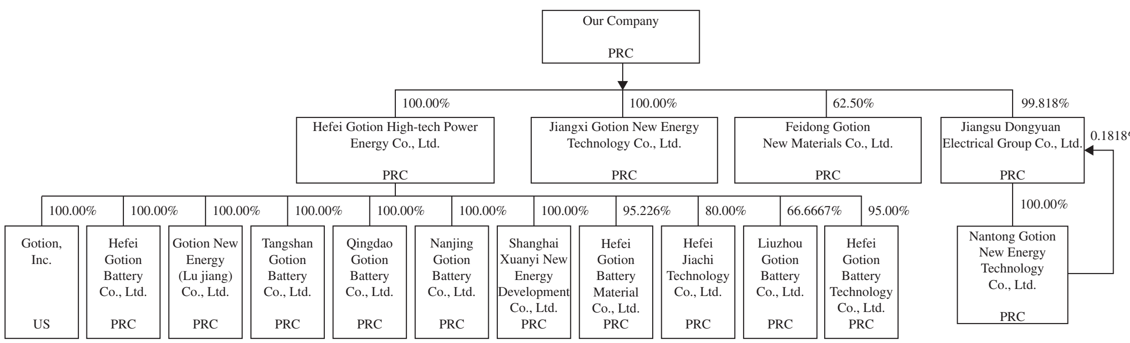
- the macroeconomic and political environment of the PRC and other jurisdictions in which we operate; and
- technological changes impacting the sectors in which we operate.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*."

The forward-looking statements contained herein speak only as of the date of this Prospectus. We expressly undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

Our Company is a joint stock company with limited liability established pursuant to the Company Law of the PRC. The Company was established via a reorganization, which was approved by the CSRC, and became listed on the Shenzhen Stock Exchange on April 20, 2015, following an agreement for purchase of assets by issuing shares, pursuant to which (i) our predecessor Jiangsu Dongyuan Electrical Group Co., Ltd. (江苏东源电器集团股份有限公司), a company with its A shares listed on the Shenzhen Stock Exchange under stock code 002074 since October 18, 2006, acquired 99.26% equity interests in Hefei Gotion High-tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司), and (ii) Hefei Gotion High-tech Power Energy Co., Ltd. injected certain assets to our predecessor. Following the asset purchase, Jiangsu Dongyuan Electrical Group Co., Ltd. became the controlling shareholder of Hefei Gotion High-tech Power Energy Co., Ltd., and was subsequently renamed Gotion High-tech Co., Ltd. on September 18, 2015. Our predecessor Jiangsu Dongyuan Electrical Group Co., Ltd. was incorporated on November 19, 1998.

The following diagram shows a simplified overview of our Group's corporate structure as of the date of this Prospectus:



This Prospectus contains:

- consolidated historical financial information of the Group as of and for the year ended December 31, 2019 (together with comparative financial information for the year ended December 31, 2018) (the "**2019 Historical Financial Information**") prepared in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"), together with the audit report thereon by RSM China CPA LLP;

- consolidated historical financial information of the Group as of and for the year ended December 31, 2020 (together with comparative financial information for the year ended December 31, 2019) and consolidated historical financial information of the Group as of and for the year ended December 31, 2021 (together with comparative financial information for the year ended December 31, 2020) (the "**2020 and 2021 Historical Financial Information**," together with the 2019 Historical Financial Information, the "**Annual Historical Financial Information**") prepared in accordance with PRC GAAP, together with the audit reports thereon by Suya Jincheng CPA LLP; and

- unaudited consolidated interim financial information of the Group as of and for the three months ended March 31, 2022 (together with comparative financial information for the three months ended March 31, 2021) (the "**Three Month Historical Financial Information**") prepared in accordance with PRC GAAP, which is neither audited nor reviewed by Suya Jincheng CPA LLP or RSM China CPA LLP.

Financial Year

The financial year of our Group ends on December 31 of each calendar year.

Other Data

Certain numerical figures set out in this Prospectus, including financial data presented in millions or thousands, certain operating data, percentages describing market shares and industry data have been subject to rounding adjustments and, as a result, the totals of the data in this Prospectus may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the annual consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Prospectus, as applicable, and do not use the numerical data in the narrative description thereof.

This Prospectus contains and refers to numerical data, market data, and information or estimates on the market and competitive environment in which we operate that is taken from an industry report prepared for us by Frost & Sullivan, an industry consulting firm headquartered in New York, US, dated June 2022 (the "**Frost & Sullivan Report**"). The report's objective was to determine the relevant markets for us, their size and growth prospects and to determine our competitive position in these markets. In preparing the Frost & Sullivan Report, Frost & Sullivan conducted interviews with our customers and competitors, the results of which have been incorporated. The Frost & Sullivan Report also incorporates information provided by us, from other advisors and publicly available information sources, the accuracy of which Frost & Sullivan has not independently verified, and for which Frost & Sullivan therefore assumes no responsibility other than the correct reproduction of such information. During the preparation of the market research report, Frost & Sullivan performed both (i) primary research, which involved in-depth interviews with leading industry participants and industry experts; and (ii) secondary research, which involved review of company reports, industry association statistics and data based on Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors.

Neither we nor the Managers have independently verified the industry data and other information on which third parties have based their studies or the external sources on which our own estimates are based, except to the extent set forth in the paragraph directly above. Therefore, neither we nor the Managers assume responsibility for the accuracy of the information, other than the correct reproduction of such information, on the industry environment, developments, growth rates, trends and competitive situation presented in the Prospectus from third-party studies or the accuracy of the information on which our own estimates are based. Prospective investors in the GDRs should also be aware that market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual or future market conditions.

While we are not aware of any misstatements regarding the industry or similar data presented in this Prospectus, the use of such data involves risks and uncertainties and is subject to change based on various factors, including those discussed in "*Forward-Looking Statements*" and "*Risk Factors*."

We present our consolidated financial statements in RMB. The rates in each of the following tables may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Prospectus. We have provided these exchange rates solely for the convenience of potential investors. The rates should not be construed as a representation that RMB amounts could have been, or could be, converted into CHF, EUR or USD at the rates set forth herein or at any other rate.

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Generic Price (BGN) expressed as Swiss francs (expressed as CHF) per RMB1.00, USD per RMB1.00 and EUR per RMB1.00. The Bloomberg Generic Price is Bloomberg's preferred default source for generic exchange rate data, designed to show market-consensus bid/ask rates based on input rates from a select subset of Bloomberg's exchange rate price contributors. The average rate for a month or year means the average of the daily Bloomberg Generic Price during that month or year, or shorter period, as the case may be.

	CHF per RMB1.00			
Year	**High**	**Low**	**Average**(1)	**Year end**
2019	0.1516	0.1365	0.1438	0.1390
2020	0.1411	0.1298	0.1360	0.1361
2021	0.1465	0.1362	0.1417	0.1433
Month	**High**	**Low**	**Average**(1)	**Period end**
January 2022	0.1462	0.1432	0.1445	0.1455
February 2022	0.1466	0.1446	0.1454	0.1452
March 2022	0.1479	0.1449	0.1462	0.1452
April 2022	0.1484	0.1453	0.1467	0.1466
May 2022	0.1476	0.1417	0.1457	0.1437
June 2022	0.1491	0.1424	0.1448	0.1427
July 2022(2)	0.1462	0.1433	0.1450	0.1444

(1) The average of the exchange rates for each business day during the relevant period.

(2) From July 1 to July 15, 2022

	USD per RMB1.00			
Year	**High**	**Low**	**Average**(1)	**Year end**
2019	0.1498	0.1390	0.1447	0.1436
2020	0.1538	0.1394	0.1450	0.1538
2021	0.1576	0.1521	0.1550	0.1571
Month	**High**	**Low**	**Average**(1)	**Period end**
January 2022	0.1579	0.1564	0.1572	0.1570
February 2022	0.1584	0.1570	0.1577	0.1584
March 2022	0.1583	0.1564	0.1573	0.1574
April 2022	0.1573	0.1502	0.1551	0.1506
May 2022	0.1510	0.1465	0.1488	0.1497
June 2022	0.1503	0.1475	0.1493	0.1494
July 2022(2)	0.1496	0.1479	0.1488	0.1480

(1) The average of the exchange rates for each business day during the relevant period.

(2) From July 1 to July 15, 2022

	EUR per RMB1.00			
Year	**High**	**Low**	**Average[1]**	**Year end**
2019	0.1331	0.1256	0.1292	0.1281
2020	0.1322	0.1205	0.1271	0.1259
2021	0.1397	0.1258	0.1312	0.1382

Month	**High**	**Low**	**Average[1]**	**Period end**
January 2022	0.1409	0.1372	0.1389	0.1398
February 2022	0.1413	0.1373	0.1390	0.1412
March 2022	0.1456	0.1409	0.1428	0.1422
April 2022	0.1455	0.1419	0.1436	0.1428
May 2022	0.1430	0.1377	0.1406	0.1395
June 2022	0.1436	0.1393	0.1413	0.1425
July 2022[2]	0.1481	0.1432	0.1464	0.1467

(1) The average of the exchange rates for each business day during the relevant period.

(2) From July 1 to July 15, 2022

In this Prospectus:

- References to "A share(s)" are to shares of any company that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi.
- References to "A Share(s)" are to domestic shares of our Company, with a par value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shenzhen Stock Exchange.
- References to "ABCI" are to ABCI Securities Company Limited.
- References to the "Articles of Association" are to the articles of association of our Company.
- References to the "Board" or "Board of Directors" are to the board of directors of our Company.
- References to "CICC" are to China International Capital Corporation (UK) Limited.
- References to "CICCHK" are to China International Capital Corporation Hong Kong Securities Limited.
- References to "Clearstream" are to Clearstream Banking, société anonyme.
- References to "CLSA" are to CLSA Limited.
- References to "CSDC" are to China Securities Depositary and Clearing Corporation Limited.
- References to "CSRC" are to China Securities Regulatory Commission.
- References to "Custodian" are to China Construction Bank Corporation.
- References to "Deposit Agreement" are to the deposit agreement entered into by our Company and the Depositary on July 25, 2022 in connection with the issuance of the GDRs represented by the Master GDR Certificate.
- References to the "Depositary" are to Citibank, N.A.
- References to the "Designated Broker" are to a SIX member that has been "designated" by the Shenzhen Stock Exchange as a "designated broker."
- References to "Director(s)" are to director(s) of our Company.
- References to "DR Provisions" are to Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges published by the CSRC on February 11, 2022.
- References to the "EEA" are to the European Economic Area.
- References to "EIT" are to China enterprise income tax.
- References to "Euroclear" are to Euroclear Bank S.A./N.V., as operator of the Euroclear System.

- References to the “Exchange Act” are to the US Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.
- References to “FinSA” are to Swiss Financial Services Act of June 15, 2018;references to “FMIO” are to the Financial Market Infrastructure Ordinance (*Finanzmarktinfrastrukturverordnung*) of November 25, 2015; references to “FMIO-FINMA” are to the Financial Market Infrastructure Ordinance-FINMA (*Finanzmarktinfrastrukturverordnung-FINMA*) of December 3, 2015.
- References to “Firm GDRs” are to up to 33,294,157 GDRs.
- References to the “First Quarter Report” are to the 2022 First Quarter Report of the Company published on the website of the Shenzhen Stock Exchange on April 27, 2022.
- References to “Frost & Sullivan” are to Frost & Sullivan (Beijing) Inc.
- References to the “Frost & Sullivan Report” are to a report prepared by Frost & Sullivan at our request for the purposes of this Prospectus, dated June 2022, on us and the markets in which we operate.
- References to “GDR” are to a global depositary receipt which represent A Shares.
- References to “Haitong International” are to Haitong International Securities Company Limited.
- References to “Hong Kong” are to the Hong Kong Special Administrative Region of the PRC.
- References to “Huatai International” are to Huatai Financial Holdings (Hong Kong) Limited.
- References to the “Joint Bookrunners” are to CICC, Haitong International, CICCHK, Huatai International, CLSA and ABCI.
- References to the “Joint Global Coordinators” are to CICC and Haitong International.
- References to the “Listing Rules” are to the listing rules of SIX Exchange Regulation.
- References to the “Managers” are to the Joint Global Coordinators and the Joint Bookrunners.
- References to “Master GDR Certificate” are to the master global depository receipt certificate.
- References to “MOF” are to Ministry of Finance of the PRC.
- References to “Offer GDRs” are to up to 49,941,235 GDRs, comprising the Firm GDRs and the Upsize GDRs.
- References to “Offer Price” are to the price at which Offer GDRs will be sold in the Offering.
- References to “Offer Price Range” are to US$30.00 to US$30.28.

- References to the "Offering" are to the offering of: (i) placements in Switzerland solely to professional clients within the meaning of article 4 para 3 of FinSA; and (ii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Prospectus Regulation and the UK Prospectus Regulation. All offers and sales outside the United States will be made in compliance with Regulation S.

- References to "our Company" or the "Company" are to Gotion High-tech Co., Ltd., a joint stock company incorporated in the PRC with limited liability under the corporate name 国轩高科股份有限公司 (Gotion High-tech Co., Ltd.), converted from its predecessor Jiangsu Dongyuan Electrical Group Co., Ltd. (江苏东源电器集团股份有限公司) via a reorganization, which was approved by the CSRC, and listed on the Shenzhen Stock Exchange on April 20, 2015, the A Shares of which have been listed under stock code 002074 on the Shenzhen Stock Exchange since October 18, 2006, after Hefei Gotion High-tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司) injected certain assets to its predecessor pursuant to an agreement for purchase of assets by issuing shares. Unless the context otherwise requires, it includes its predecessor Jiangsu Dongyuan Electrical Group Co., Ltd., and, in respect of the period prior to the asset injection, Hefei Gotion High-tech Power Energy Co., Ltd., where the context so requires.

- References to "PBOC" are to People's Bank of China.

- References to the "PRC" or "China" are to the People's Republic of China, and solely for the purpose of this Prospectus and by reference to region, excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong Special Administrative Region of the PRC.

- References to "PRC GAAP" are to Accounting Standard for Business Enterprises—Basic Standard, and the specific accounting standards and other relevant regulations issued by the MOF on February 15, 2006 and in subsequent periods.

- References to "Prospectus Regulation" are to Regulation (EU) 2017/1129 as amended from time to time.

- References to "QFI" are to qualified foreign investors, comprising QFII and RQFII.

- References to "QFII" are to qualified foreign institutional investors.

- References to "Qualified Investors" are to qualified investors within the meaning of the Prospectus Regulation.

- References to "Regulation S" are to Regulation S under the Securities Act.

- References to "Renminbi" or "RMB" are to the lawful currency of the PRC; references to "CHF" are to Swiss francs, the lawful currency of Switzerland; references to "EUR" are to the single currency of the participating member states of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time; and references to "USD" and "US$" are to the United States dollars, lawful currency of the United States.

- References to "RQFII" are to RMB qualified foreign institutional investors.

- References to "SAFE" are to State Administration of Foreign Exchange of the PRC.

- References to the "SEC" are to the US Securities and Exchange Commission.
- References to the "Securities Act" are to the US Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.
- References to the "Share(s)" are to the A Share(s).
- References to "SIS" are to SIX SIS AG.
- References to "SIX Exchange Regulation" are to SIX Exchange Regulation AG.
- References to "SIX Swiss Exchange" are to SIX Swiss Exchange AG.
- References to "State Council" are to State Council of the PRC.
- References to "Supervisor(s)" are to member(s) of the Supervisory Committee.
- References to the "Supervisory Committee" are to the supervisory committee of our Company.
- References to "State Council" are to State Council of the PRC.
- References to the "Upsize GDRs" are to up to 16,647,078 GDRs that may be issued pursuant to the Upsize Option.
- References to the "Upsize Option" are to the option that may be jointly exercised by the Company and the Joint Global Coordinators (on behalf of the Managers) on the date of pricing of the Offering based on demand to offer up to an additional 16,647,078 GDRs.
- References to the "US" or the "United States" are to the United States of America.
- References to "VAT" are to value-added tax.
- References to "we," "us," "our," "our Group" or the "Group" are to the Company and its consolidated subsidiaries, unless the context requires otherwise.

In addition to the terms above, this Prospectus contains a glossary of certain technical terms relating to our industry and business. See "*Glossary of Technical Terms*."

TABLE OF CONTENTS

SUMMARY

This summary should be read as an introduction to this Prospectus and, for purposes of FinSA, constitutes a summary within the meaning of articles 40(3) and 43 thereof and article 54 of the FinSO. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus, including the discussion under "Risk Factors," "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as with our consolidated financial statements. Investors should base their investment decision on a review of the entire Prospectus, and not only this "Summary" section, because of the significantly more detailed information in other parts of this Prospectus.

Any potential investors in the Offer GDRs should be aware that liability under article 69 of FinSA for the summary is limited to cases where the information contained herein is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Capitalized terms used in this summary but not defined herein have the meanings assigned to them elsewhere in this Prospectus.

Our Mission

Our mission is to make green energy accessible and sustainable.

Our Vision

Our vision is to focus on technology to drive growth and become a leader in the global energy storage industry.

Overview

We are one of the earliest companies in China to engage in independent research and development, production and sales of EV lithium-ion batteries, and have grown into a world-leading and rapidly expanding provider of new energy solutions. Our major products are EV batteries and ESS batteries. According to the Frost & Sullivan Report, in terms of installed capacity, we ranked fourth at 8.0 GWh in the PRC EV battery market and eighth at 8.5 GWh in the global EV battery market in 2021, with a market share of 5.2% and 2.9%, respectively; and in terms of the number of new energy vehicles equipped with EV batteries, we ranked third at approximately 395,000 units in the PRC EV battery market and fifth at approximately 420,000 units in the global EV battery market in 2021, with a market share of 11.2% and 6.5%, respectively. According to the same source, in terms of installed capacity, we ranked third at approximately 8.0 GWh in the global LFP battery market, with a market share of 9.4%.

Since our inception, we have focused on accumulating scientific knowledge and carrying out technological research on battery materials, production and product applications. As of March 31, 2022, we had applied for in aggregate 5,439 patent technologies globally, covering the entire life cycle of batteries. Material research and development is the foundation of battery technology and also our core competitiveness. So far, we owned more than 1,000 patents related to battery materials. Apart from material science, we are also fully committed to the research and development of power batteries on aspects such as battery structure, product design, manufacturing engineering, testing and verification, and battery recycling. We have established and are in the process of establishing eight research and development bases and four testing and verification bases across the globe. Our LFP and ternary battery products have achieved industry-leading performance in terms of energy density, cycle life and safety. Meanwhile, our advanced ESS battery technology enables our lithium-ion ESS batteries to reach a life of 12,000 cycles, far exceeding the industry average.

Benefited from our strong research and development capabilities, the production scale of our batteries and battery materials is expanding continually. As of March 31, 2022, we had established ten production facilities in China, all of which have strong scalability and capabilities for mass production. In addition to our existing production capacity, in order to meet the growing demand from purchase orders and PRC and overseas markets generally, we have proactively expanded a number of production facilities. Meanwhile, we are interested in and seek opportunities to set up production bases overseas to help establish our international presence. We have launched battery or product production plans in India, Vietnam, Germany and the United States, among other countries. As of May 31, 2022, the designed production capacity of our battery business had reached 50GWh. We intend to further increase our designed production capacity beyond 100GWh by the end of 2022, and target at exceeding 300GWh by 2025.

The depth and breadth of our research and development capabilities has enabled our visionary and insightful participation throughout the entire battery value chain, extending from upstream mining and refining of mineral resources and battery material production, to downstream battery recycling. We produce cathode materials to meet our daily battery production needs. Moreover, we manufacture other major battery materials by jointly establishing factories; we have established or been establishing production plants for lithium carbonate, graphite anode, ternary precursor and other raw materials for lithium-ion batteries in Yichun, Jiangxi province, Wuhai, Inner Mongolia autonomous region and Caofeidian of Tangshan, Hebei province of the PRC. In addition, we have been building in Feidong county of Hefei, Anhui province a project to recycle and repurpose batteries with an annual designed production capacity of 100,000 tonnes, with an aim to ensure supply of key raw materials and the formation of a battery recycle system, and thereby realize low carbonization in our battery business.

We possess powerful software-centric battery integration technology. In terms of compatibility, we continue to expand the coverage of our product offerings. For example, our EV power battery products can be assembled for passenger vehicles (such as A00-C class vehicles), commercial vehicles and specialized vehicles, and are applicable to pure and hybrid electric vehicles. Our ESS battery products can meet various needs from households, commercial settings and grid companies. In terms of performance, our continual innovation in system integration, structure, electrical and thermal management, among other aspects, has allowed us to greatly improve the efficiency and safety of grouped batteries, and significantly reduce the costs.

We adhere to the principle of research and development-driven production, and continue to promote the internationalization of our business. We have established or are in the process of establishing eight research and development bases globally, in Silicon Valley of the United States, Cleveland of the United States, Tsukuba of Japan, Singapore, Germany and Shanghai and Hefei of the PRC to support the localization of our products. We have also strategically cooperated with many large-scale international enterprises such as Volkswagen of Germany, Tata of India, Bosch of Germany, EBUSCO of the Netherlands, Invenergy of the United States, VinFast of Vietnam, among others, in product manufacturing, technology research and development, management system and market development. In the future, we intend to further advance our international cooperation in funding and realize localized production in all aspects.

In particular, since 2020, we and Volkswagen have carried out complementary cooperation in technology, funding and industrialization, which proves to benefit the future development of both parties. Volkswagen shared with us advanced international management concepts, efficient and precise manufacturing and quality systems, and strengthened our connections with the global supply chain. Meanwhile, we also offered our construction experience of advanced production lines and our battery products to Volkswagen and gave our technology support to Volkswagen in battery manufacturing. In March 2022, we officially became Volkswagen's battery cell supplier for the China region. We signed a Procurement Fixed-point Agreement with Volkswagen (Anhui) Components Co., Ltd. and becomes its qualified supplier for ternary batteries and LFP batteries. All batteries purchased under this agreement are Volkswagen Group's next-generation battery, the "Unified Cell," which adopts uniform design and specifications and is intended for Volkswagen Group's new energy vehicles.

We have achieved significant growth in 2019, 2020 and 2021. Our operating revenue increased by 35.6% from RMB4,958.9 million in 2019 to RMB6,724.2 million in 2020, and further increased by 54.0% to RMB10,356.1 million in 2021. Our research and development investment in 2019, 2020 and 2021 was RMB588.1 million, RMB695.7 million and RMB1,166.6 million, respectively, which accounted for more than 10% of our operating revenue for three consecutive years.

Key Strengths

Extensive strategic cooperation with quality clients in research and development

By adhering to a customer-centric operation philosophy, we have established and maintained stable and close relationships with a number of quality clients in the power battery market, such as SAIC Group, Geely Automobile, Great Wall Motor, Changan Automobile and Chery Automobile, through strategic cooperation in research and development of next generation innovative EV battery technology.

We are committed to focusing on technology based production of batteries, and have expanded fruitfully our customer base over the entire battery value chain, from manufacturing of battery materials, battery production, battery application to battery recycling. Our products can meet various needs of customers from diverse backgrounds, which has contributed to a diversified customer base and our relatively low reliance on top customers. According to the Frost & Sullivan Report, the concentration rate of top five customers for our peers in terms of revenue contribution largely exceeds 50%, while ours was only about 36% in 2021, which can effectively contain our related risk exposure for us to further expand the spectrum of our business.

We strive to continually optimize our application based product mix of batteries, which are mainly applied to models of passenger vehicles, commercial vehicles and specialized vehicles, with an increasing proportion of passenger vehicles. In 2021, we had 15 passenger vehicle customers, 9 commercial vehicle customers and 27 specialized vehicle customers. According to Frost & Sullivan, we ranked second in the PRC EV battery market by number of customers in 2021. In terms of the number of new energy vehicles equipped with EV batteries, we ranked third at approximately 395,000 units in the PRC EV battery market and fifth at approximately 420,000 units in the global EV battery market in 2021, with a market share of 11.2% and 6.5%, respectively.

We continue to advance our technology and enhance product quality as our main objectives, and accordingly we have attracted a large number of quality clients to work with us. For example, we became part of Bosch's global supply chain network, established a joint venture with Tata Motors in India to develop the Indian lithium-ion battery market, and continually expanded our cooperation with Volkswagen Group, and entered into strategic cooperation agreements with VinFast in Vietnam and a listed automaker in the United States for overseas market expansion.

We continually promote battery applications in other areas. As one of the pioneer enterprises in the PRC ESS battery industry, we have cooperated with well-established clients such as State Grid, Huaneng Group and State Power Investment Corporation, and completed construction of milestone energy storage projects, such as the integrated wind and solar energy storage project for the Zhangjiakou Winter Olympics and the energy storage frequency regulation project for Shenzhen Nanshan Power Station. In 2021, we won bid for Phase I (103MW/206MWh) project of Huaibei Wanneng Energy Storage Power Station, with a total scale of 1GWh, which is currently the largest grid-side LFP energy storage power station in the PRC by single capacity.

Meanwhile, we also strive to develop key overseas ESS battery markets. We have established comprehensive strategic partnerships with companies such as Invenergy and Jinko to prepare us for overseas application of our ESS batteries. In 2019, we cooperated with Energyport in building a 72MW/72MWh energy storage power station on the power generation side in West Virginia and Illinois, the United States. This project was then the second largest energy storage power station in North America at that time by single capacity.

Strong research and development capabilities with a focus on fundamental science

Our research and development efforts on batteries are based on fundamental material and digital science, as we believe fundamental science is critical to driving our growth and we shall continue to focus on fundamental science as a long-term strategy. We have established and are in the process of establishing eight research and development bases around the globe, including our Shanghai base on product design, Hefei base on product research, development, testing and verification, Tsukuba base on advanced materials, Singapore base on energy storage systems, Silicon Valley base on BMS, and Cleveland base on electrolyte. For details, see "– *Research and Development*." Meanwhile, we have founded four test and verification bases. Additionally, we instituted cooperative research and development programs with several notable universities and institutions.

Our EV battery technological capabilities are leading in the EV battery industry, as reflected in the following aspects:

- *LFP Batteries.* By using raw materials manufactured in-house, we are capable to mass produce LFP battery cells with an energy density of 210Wh/kg, and complete the design of LFP battery cells with an energy density of 230Wh/kg, all of which represents a leading position in the application of LFP batteries globally.

- *Ternary Batteries*. Leveraging our ternary precursor material technology and mass production technology of ternary cathode materials and ternary batteries, we have mass produced ternary EV battery cells with an energy density of 302Wh/kg. Meanwhile, our high performance semi-solid batteries with an energy density of 360Wh/kg have passed the new national standard safety test, of which we commenced production. A high-end new energy vehicle company has designated us for mass producing and supplying such batteries for their EV models.

We have nurtured an abundant pool of talents. As a national enterprise technology center, as of March 31, 2022, we had over 2,000 research and development personnel, over 700 of which had a master's degree or above, and more than 100 of which had overseas degrees. In addition, we have established talent cultivation and cooperation programs with Columbia University, Stanford University, Nanyang Technological University and other PRC and overseas universities.

Meanwhile, we corporate with domestic and international well-known universities and scientific research institutions to promote the research and development of advanced battery technology, including Chinese Academy of Sciences, University of Science and Technology of China, Tsinghua University and Hefei University of Technology in the PRC, and Stanford University and Columbia University in the United States. Meanwhile, we established university-industry collaborations with a number of institutions, including a smart energy laboratory with Nanyang Technological University, for technological advancement.

As of March 31, 2022, we had registered 5,439 patents (including 2,492 invention patents, 147 of which were registered in overseas jurisdictions, and 2,565 utility model patents). Our technologies were patented in both the PRC and overseas jurisdictions such as Europe, the United States, Japan and South Korea, encompassing a variety of subjects along the entire battery value chain, including cathode materials, anode materials, separators, electrolytes, structural design of battery cells, techniques and equipment for battery cell processing, BMS, battery grouping, testing and verification, dismantling and recycling and energy storage.

In addition, as of March 31, 2022, we had published 255 research papers globally, 23 of which were published in the SCI Journal and 147 of which were published in other major publications, and registered over 100 software copyrights. As of the same date, we led and participated in the formulation of 45 standards, which include two international standards, 22 national standards and four industry standards.

We have also won awards and recognitions for our research and technology capabilities. In 2019, we ranked 92nd in the Top 100 PRC Enterprises by Innovation Capability published by the Enterprise Innovation Research Group of Renmin University of China, as the only power battery company in such list. In 2021, we were among the top 500 PRC brands, and ranked 38th among the top 100 PRC companies by technology and innovation (as the only power battery company in such list). Additionally, we have obtained numerous qualifications and certifications abroad.

Cost effective business model that penetrates the entire battery value chain

Over the years, we have effectively extended our operations over, and further penetrated, the entire battery value chain, by leveraging the economies of scale generated by our ten production facilities of batteries and raw materials. In particular, our participation in the battery value chain encompasses extraction and refinement of mineral resources, manufacturing of raw materials, production of battery cells, modules and packs, and battery recycling and repurposing. We particularly focus on the production and research and development of raw materials, and insist on the strategy of producing in-house all core cathode materials, while partnering with other companies to jointly produce other key materials. We believe this strategy can effectively enhance our competitiveness in production efficiency, cost controls, quality management and sales and marketing, and therefore improving our gross profit margins.

In respect of mineral resources, we contracted with local governments for mining and refining activities of lithium mines to support the production of battery grade lithium carbonate in Yichun, Jiangxi province. In respect of cathode and anode materials, we jointly established production facilities with China Metallurgical Group Corporation and BYD Co., Ltd. to produce ternary precursor cathode materials in Tangshan, Hebei province. We have been constructing facilities for cathode materials in Lujiang county, Hefei, Anhui province and for graphite anode materials in Inner Mongolia autonomous region. In respect of separators, we have established a joint venture with Shenzhen Senior Technology Material Co., Ltd. to produce separators, and such joint venture has commenced a phase II construction project to further expand its production capacity. In respect of electrolytes, we acquired BASF electrolyte laboratory in the United States and its related patents in electrolyte, to enhance our research and development capabilities on batteries with high voltage and energy density. In respect of battery recycling, we have been constructing battery recycling production facilities in Feidong county, and plan to construct additional production facilities in Lujiang county, Hefei, Anhui province, with an aim to realize a substantial increase in the end-of-life recycling rate of used batteries.

In addition, one of our subsidiaries has mass produced carbon coated aluminum foil, and we have also developed copper foil with Tongling Nonferrous Metals Group Co., Ltd., and entered into a cooperation agreement with Shanghai Electric Group Co., Ltd. to establish a joint venture that focuses on the energy storage field. For details, see "– *Our Cooperation with Volkswagen and Other Business Partners*."

Through cooperation with various parties, our integration of different parts of the battery value chain has allowed us to effectively increase our controls over each part, and maintain competitive advantages in production management, cost controls, quality controls, and sales and marketing, therefore forming a closed-loop ecosystem for our battery business.

Scalable production capacity driven by prudent project management and intelligent manufacturing

We have established ten production facilities for our battery business, which has laid a solid foundation for our further expansion in production capacity. We expect to achieve a designed production capacity of 100GWh by the end of 2022, and gradually increase the same in overseas markets such as North America, Europe, Southeast Asia and South Asia.

Our rich experience and strong capabilities in construction project management is critical to our continual expansion in production capacity. We have established a project review management mechanism and a project review committee, which adopts a scientific approach as to the review, supplement and refining of research, development and production projects. This has helped us prudently expand our operations and improve profitability.

Meanwhile, our intelligent manufacturing systems integrate advanced technology into the construction of production lines and the expansion of our production capacity. Intelligent manufacturing provides a complete set of construction solutions for production facilities, from construction planning, equipment planning, technique planning, equipment procurement, installation and mass production. It allows us to replicate the construction process of production lines efficiently from one place to another, and enhances our ability to complete the construction projects timely and smoothly.

Our newly built production lines will be able to seamlessly link the data collection terminal of intelligent equipment with enterprise resource planning (ERP), warehouse management system (WMS) and manufacturing execution system (MES). For our existing production lines, we have commenced the digital upgrade to build smart battery factories, which feature automation, digitization, internet connection and intelligent manufacturing. We intend to gradually transform our production facilities to automatic factories that employ lights-out manufacturing.

As a result of our continual optimization of the production facilities in aspects such as space design, production line layout, green energy utilization and energy recovery, we have continued to reduce the production power consumption per kWh of batteries and reached an industry-leading position. In 2021, our CO_2 emissions totaled 1,134,680 tonnes, a decrease by 27,869 tonnes compared to 2020.

The automatic collection, analysis, collation and reporting of supply chain data enabled by our intelligent manufacturing systems provide strong support for our strategic decision-making. Capitalizing on the establishment of our digital platform, our production efficiency has been greatly improved, with decreased operating costs, shorter product development cycles, reduced defective product rates and increased energy utilization rate, and the product manufacturing pass-through rate has increased to more than 95% with notable improvement in quality.

Strategic layout for international expansion that targets the global market

We continue to actively expand the global market. In 2021, our operating revenue generated from overseas increased by 232.6% compared to 2020. Currently, the booming global new energy vehicle market is a crucial growth driver for the PRC power battery companies to expand their international footprint. We have formed strategic cooperation with many international customers, from which we have obtained purchase orders, to gradually build up our own global market network. In view of a surge in our purchase orders from overseas customers, we have also started devising construction plans for production facilities located outside the PRC, such as Europe, North America and Asia. Some of our representative cooperation in the course of our international expansion is set forth below:

European Market. We continue to enhance the depth and width of our cooperation with Volkswagen, and are committed to the research, development and production of unified battery cells. We acquired a factory of Bosch Group in Göttingen, Germany, to establish our first new energy production and operation base in Europe. Moreover, we supplied battery products to more than 260 units of electric buses of EBUSCO of Netherlands since 2019. In addition, we are a major supplier of LFP batteries for SAIC Maxus's wide-body light passenger vehicles.

North American Market. In December 2021, we, through our wholly owned overseas company, entered into a supply and localization agreement with a US listed automobile company to supply LFP batteries of no less than 200GWh in total volume over a period of six years from 2023 to 2028. To meet such demand, we plan to establish localized production lines in the United States, and may jointly explore the possibility of establishing a joint venture with such automobile company in the future.

Asian Market. In May 2019, we entered an agreement with India Tata AutoComp Systems Limited to establish a joint venture that focuses on battery products for the Indian market. In August 2021, we entered into a strategic cooperation agreement with VinFast, the largest auto group in Vietnam, to supply LFP batteries and offer relevant technical support, pursuant to which a joint venture shall be established that mainly focuses on manufacturing LFP batteries in Vietnam.

South American Market. In April 2022, we entered into a memorandum of understanding with the Jujuy Energía y Minería Sociedad Del Estado, pursuant to which we shall establish a battery grade lithium carbonate refinery jointly, and carry out other cooperation such secure supply of local lithium mineral resources and downstream business development.

Visionary and experienced management team

We have a united, efficient and visionary management team. Our founder and chairman, Mr. LI Zhen, is a respected entrepreneur and industry leader, who has focused on the energy storage industry for more than 16 years. He was once recognized as a Person of the Year for the PRC battery industry, and is responsible for our PRC and overseas businesses, strategic capital and the general engineering research institute. The other members of our management includes: Mr. Frank ENGEL, who is also executive vice president of Volkswagen Group China and head of components and parts, logistics, and quality assurance departments, and an expert in automotive parts; Mr. Steven CAI and Mr. ZHANG Hongli, who have worked for us for years and are experts in research and development; and Ms. Andrea NAHMER, who is an expert in production, products and investment control. In addition, the four independent Directors of our Company all have professional backgrounds and rich industry experience.

Strategies

We hope to increase our designed production capacity to exceed 300GWh by 2025, through further integrating entire battery value chain, technological advancement, improvement in operational efficiency and establishing a global platform, among other things.

Continually promote our international expansion and increase production capacity to enhance our market share

We expect to continually increase production capacity to meet the rapidly growing global demand for batteries and further expand our market share in the global energy storage market. We hope to scale up our designed production capacity beyond 300GWh by 2025. In particular, we plan to reach a designed production capacity of approximately 100GWh by 2022, and increase by another 100GWh afterwards, in the PRC. Meanwhile, we expect to increase by 100GWh in designed production capacity in overseas markets such as North America, Europe, Southeast Asia and South Asia.

For overseas markets, we intend to focus on European, American and Asia-Pacific markets, and increase brand awareness and market share through our cooperation with key strategic customers, particularly notable automakers. For the PRC market, we intend to further integrate our resources and actively develop quality customers from passenger vehicle, specialized vehicle, light vehicle and commercial vehicle markets, to maintain and increase our presence in such markets.

Moreover, we expect to enhance our ESS battery business through improving our product portfolio and increasing strategic cooperation in both PRC and overseas markets. We plan to focus on business development over user-side energy storage power stations, and enhance our business towards individual customers. We intend to construct after-sale service outlets to improve our service capability and improve customer satisfaction.

Increase investment in research and development to realize technological innovations and breakthroughs

We are committed to a technology driven growth strategy, and strive to maintain our position as a technology based company. We focus on core technology development to continually increase the energy density of our batteries and gradually realize mass production of the same. We plan to further invest in research and development, to increase production volumes of mature products and expand our market presence through innovative products. We intend to concentrate quality resources for addressing challenges in battery application, and focus on the integration among research and development, production and quality controls to increase product consistency. We also insist on prioritizing research and development in battery materials including LFP and NCM, and promoting the commercialization of batteries embedded with Jellyroll to Module technology and unified battery cells. We shall continue to improve the energy density, cycle life and safety of batteries to ensure the advanced position of our battery material and application technology in the world.

We intend to integrate our comprehensive research and development capabilities of the eight research and development bases across the globe, and continue to make achievements in material research and development, battery technology and product design. Meanwhile, in terms of research on next generation technology, we plan to increase our research and development efforts in solid-state and semi-solid flow batteries and electrolytes. We are currently researching solid-state batteries with an energy density of over 400Wh/kg.

Further optimize supply chains to enhance cost advantages

We shall continue to focus on the optimization of our LFP batteries, performance enhancement of our ternary batteries, and business expansion of our ESS batteries, and refine our participation in the upstream and downstream value chain. We strive to integrate the resources of the whole industrial chain of lithium-ion batteries for purpose of securing the supply of principal raw materials. We have manufactured in-house cathode materials and produced other major raw materials through establishing joint venture with third parties. We intend to continually adhere to such strategy, and further reduce our costs to enhance our competitive advantages.

For instance, we commenced the construction of production facilities for manufacturing graphite anode with an annual designed production capacity of 400,000 tonnes in Wuhai, Inner Mongolia autonomous region in early 2022. The production facilities, which are estimated to consume electricity of 4,000GWh, are expected to be powered entirely by solar energy, through photovoltaic power generation at a capacity of 2GWh and our own energy storage power station at a capacity of 1GWh. We seek to create our own zero-carbon production base for providing new energy vehicle materials, while enhance the advantage of production cost.

Strengthen management infrastructure and continually attract and cultivate talents

We intend to continually improve the operational efficiency by enhancing our management infrastructure. We plan to adopt enterprise resource planning (ERP) company-wide to realize resource optimization and sharing. In addition, we shall further implement systems such as project management platform, warehouse management system (WMS), quality management system (QMS) and high performance computing (HPC) platform, to upgrade our office automation (OA) system and expand its functions. We also plan to promote the supplier relationship management (SRM) system to our subsidiaries.

Meanwhile, we believe that talents are the foundation of our long-term business growth. We seek to optimize the salary structure and employee assessment system based on employees' needs to stimulate their creativity. We shall also refine employment qualification standards and management processes, to increase per capita output efficiency and unit labor costs and prevent loss of key talents. With respect to nurturing talents, we plan to further institute a robust internal training system with varied cultivation programs for different levels of employees, through which we hope to increase our production and management efficiency.

We believe our extensive professional knowledge, deep industry understanding and rich experience in battery application of the energy storage sector can assist us in attracting and cultivating management and technical talents. In addition, we also plan to cooperate with top PRC and overseas universities and institutions to further cultivate our talent pool.

Enhance product quality with informatization upgrade

We shall continually optimize our organization and system, institute performance management metrics over all business processes from planning, procurement, production, warehouse and logistics, improve execution and refine our cost reduction system. We adhere to the development strategy of automation, timeliness and intelligent transformation, and continue to improve production efficiency and product quality. In addition, we intend to integrate Volkswagen's advanced experience in refined production into the informatization upgrade of our operations, and reorganize our business processes by using digitization, to produce more competitive battery products in the market.

Proactively develop ESS battery market to refine power grid structure

Based on our in-house leading lithium-ion battery technology, we are actively exploring ESS battery technology and its application. From a technical point of view, we continue to develop ESS battery technology, including ultra-long-life battery technology, high-consistency module integration and management technology, ESS battery lifespan estimation technology, safety evaluation methods and standards for units and modules in large-scale electrochemical energy storage systems and unified dispatching and control technology of 100GWh-class large-scale energy storage power stations; and we strive to continually break limits on ESS batteries in terms of safety and energy efficiency. In terms of market development, we intend to focus on needs from the power generation side, power grid side, user side and power back up side, based on our current ESS battery product portfolio for households, commercial settings and grid companies, to further penetrate the PRC and overseas energy storage markets.

In light of the background of energy transformation and "double carbon" strategy (which comprises goals of reaching peak carbon dioxide emissions and carbon neutrality) in the PRC, lithium-ion ESS battery is of material importance to the power system reform and new energy consumption. The ESS technology is expected to transform the current operation structure of power grid and improve its operation quality. Meanwhile, governments of the United States, the United Kingdom, Germany and Australia have issued policies that encourage the development of ESS technology, which indicates great potential for the global energy storage market. We strive to participate in ESS battery construction projects for the power grid side, new energy generation side and user side, and hope to become a leading provider of ESS batteries and solutions internationally.

Expected Timetable of Principal Events

Start of offer period	July 25, 2022
End of offer period[1]	July 25, 2022 at 18:00 (CEST)
Determination of final offer size and Offer Price	July 25, 2022
Publication of final Offer Price and final number of Offer GDRs sold in the Offering by electronic media and in the Supplement	July 25, 2022
First Day of Trading	July 28, 2022
Payment and settlement	July 28, 2022

(1) The Company, together with the Joint Global Coordinators, acting on behalf of the Managers, reserve the right to extend or shorten the offer period or terminate the Offering, without any prior notice, at any time and for any reason.

Summary of the Terms of the Offering

Company	Gotion High-tech Co., Ltd. is a joint stock company established under the laws of the PRC with its registered office at No. 566 Huayuan Boulevard, Baohe District, Hefei, Anhui province, 230051 PRC.
Offering	The Offering consists of an offering of up to 33,294,157 GDRs (the "**Firm GDRs**") and up to an additional 16,647,078 GDRs pursuant to an Upsize Option (the "**Upsize GDRs**," together with the Firm GDRs, the "**Offer GDRs**" or the "**GDRs**"). The Upsize Option may be jointly exercised by the Company and the Joint Global Coordinators, on the date of pricing of the Offering. The number of Upsize GDRs sold in connection with this Upsize Option will depend on the demand. The Offering consists of: (i) placements in Switzerland solely to professional clients within the meaning of article 4 para 3 of FinSA; and (ii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Prospectus Regulation and the UK Prospectus Regulation. All offers and sales outside the United States will be made in compliance with Regulation S. See "*Selling and Transfer Restrictions*."
GDRs	One GDR will represent five newly issued A Shares held in a securities account opened with the CSDC (the "**CSDC account**") in the name of the Depositary. The GDRs will be issued by the Depositary pursuant to the Deposit Agreement. The GDRs will be evidenced initially by the Master GDR Certificate, which will be issued pursuant to the Deposit Agreement. See "*Clearing and Settlement*." The GDRs will have an indefinite term. Following the Offering, pursuant to the Deposit Agreement, the A Shares represented by the GDRs will be held in a CSDC account in the name of the Depositary for the benefit of the holders and beneficial owners of the GDRs. The Depositary may deduct per-GDR fees and other fees, charges and expenses as well as taxes and governmental charges from dividend distributions and may otherwise assess other per-GDR fees and other fees, charges and expenses to the GDR holders. See "*Terms and Conditions of the Global Depositary Receipts—19. GDR Fees and Charges*." The GDRs will be freely transferable, subject to certain selling restrictions under the relevant laws in certain jurisdictions applicable to the relevant transferor or transferee.

	Investors should be aware that pursuant to the DR Provisions, GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the First Day of Trading. Therefore, for such period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and will only be able to sell their GDRs through SIX Swiss Exchange or another legitimate trading venue. For the avoidance of doubt, during such period investors will be able to buy GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares to the extent permitted by applicable laws, regulations and regulatory approvals. Investors should also be aware that pursuant to the DR Provisions, the aggregate holding of a single overseas investor of the equities of the Company (including the A Shares and GDRs, whether held directly or indirectly) shall not exceed 10% of the Company's outstanding shares. In the event an overseas investor's holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions also require that the aggregate holdings of A shares by all overseas investors in the Company shall not exceed 30% of the total outstanding shares of the Company. In event the 30% limit is exceeded, the CSRC may require overseas investors to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas' investors strategic investments as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (外国投资者对上市公司战略投资管理办法), including the investments by Volkswagen (China) Investment Co., Ltd. in the A Shares of the Company. See "*Principal Shareholders*."
Offer Price Range and Offer Price .	The Offer Price Range is between US$30.00 and US$30.28 per Offer GDR. The Company expects to determine the final Offer Price together with the Joint Global Coordinators on the basis of a bookbuilding process on or around July 25, 2022. The final Offer Price and the final number of Offer GDRs sold in the Offering are expected to be published in electronic media, by a media release and in the Supplement on or around July 25, 2022.
Offer Period	The offer period is expected to start on July 25, 2022 and end at 18:00 (CEST) on July 25, 2022.

	The Company, together with the Joint Global Coordinators, acting on behalf of the Managers, reserve the right to extend or shorten the offer period or terminate the Offering, without any prior notice, at any time and for any reason.
Listing and Trading	Prior to the Offering, the A Shares are listed on the Shenzhen Stock Exchange, but there has been no public market for the GDRs.
	Application has been made and approval has, subject to certain customary conditions, been given by SIX Exchange Regulation AG for the listing of all Offer GDRs, corresponding to 249,706,175 A Shares, and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with the Depositary on SIX Swiss Exchange in accordance with the Standard for Depository Receipts.
	The Company expects that the GDRs will be listed and that trading will commence on or around July 28, 2022 (the "**First Day of Trading**") on SIX Swiss Exchange under the symbol "GOTION".
Dilution	Existing shareholders will experience dilution of their holdings of A Shares respect to such A Shares of between 9.1% (assuming no exercise of the Upsize Option) and 13.0% (assuming the Upsize Option is exercised in full).
Lock-up	The Company has agreed with the Managers on a lock-up for the period ending 180 calendar days after the First Day of Trading.
	Each such lock-up undertaking is subject to certain exceptions and may be waived by the Joint Global Coordinators, see "*Offering and Sale—Lock-up Provisions*."
Dividends and Dividend Policy . . .	GDR holders will be entitled to dividends declared, if any, in respect of any record date which falls after the First Day of Trading. For more information, see "*Dividends and Dividend Policy*."
Taxation	For a discussion of certain Swiss and PRC tax consequences of purchasing and holding the GDRs, see "*Tax Considerations*."
Voting Rights	The Deposit Agreement contains arrangements allowing holders of GDRs to vote the underlying A Shares in accordance with PRC law. See "*Terms and Conditions of the Global Depositary Receipts—16. Voting Rights*." Holders of A Shares are entitled to one vote per A Share at a shareholders' meeting, except as disclosed in "*Principal Shareholders*."

The Company will notify the Depositary of any meeting at which the holders of A Shares or other Deposited Property are entitled to vote, or of solicitation of consents or proxies from holders of A Shares or other Deposited Property. As soon as practicable after receipt from the Company of such notice, the Depositary shall fix the GDR Record Date (which shall be as close as practicable to the applicable record date for the Deposited Property (if any) set by the Company) in respect of such meeting or solicitation of consent or proxy. The Depositary shall, if requested by the Company in writing and not prohibited by applicable law, and at the Company's expense, distribute to Holders as of the GDR Record Date: (a) such notice of meeting or solicitation of consent or proxy; (b) a statement that the Holders at the close of business in New York on the GDR Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Conditions, the Articles of Association and the provisions of or governing the Deposited Property (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the A Shares or other Deposited Property represented by such Holder's GDRs; and (c) a brief statement as to the manner in which such voting instructions may be given.

Voting instructions may be given to the Depositary only in respect of a number of GDRs representing an integral number of A Shares or other Deposited Property. Subject to applicable law, the provisions of the Deposit Agreement, the Conditions, the Articles of Association and the provisions of or governing the Deposited Property, if the Depositary has received voting instructions from a Holder as of the GDR Record Date to vote the Deposited Property on or before the date specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted by PRC law and practice, to vote or cause the Custodian to vote the A Shares and/or other Deposited Property represented by such Holder's GDRs for which timely and valid voting instructions have been received in the manner so instructed by such Holders.

A Holder of GDRs also has the right to share in profits of the Company and to receive the proceeds of any liquidation surplus. Payments of cash dividends and other amounts (including cash distributions) in relation to the GDRs will be made by the Depositary through Euroclear and Clearstream, as applicable, on behalf of persons entitled thereto, upon receipt of funds therefor from the Company, net of the Depositary's fees, taxes, duties, charges and expenses.

Clearing and Settlement.	Payment for the GDRs is expected to be made in US dollars in same-day funds through the facilities of Euroclear and Clearstream on or around the Closing Date. The Company will apply to Euroclear and Clearstream to have the GDRs accepted for clearing and settlement through the systems of Euroclear and Clearstream. The Master GDR Certificate will be registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear and Clearstream. Except in limited circumstances described herein, investors may hold beneficial interests in the GDRs evidenced by the Master GDR Certificate only through Euroclear or Clearstream as applicable. Transfers within Euroclear and Clearstream will be in accordance with the usual rules and operating procedures of the relevant system. Custodial and depositary links have been established between Euroclear and Clearstream to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise. Investors should also note that GDRs traded on SIX Swiss Exchange are centrally cleared and place of settlement is SIX SIS. Secondary market trading of the GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. Settlement of securities listed on SIX Swiss Exchange is made through SIS. Settlement for exchange transactions usually occurs two trading days after the trade date. See "*Clearing and Settlement*."
Reasons for the Offering and Use of Proceeds	For a discussion of the use of proceeds, see "*Reasons for the Offering and Use of Proceeds*."
Swiss Review Body.	This Prospectus dated July 25, 2022 has been approved by SIX Exchange Regulation in its capacity as the Review Body pursuant to article 52 of FinSA on July 25, 2022.
Offering Restrictions	The Offer GDRs are subject to certain offering restrictions as described in "*Notice to Investors*" and "*Selling and Transfer Restrictions*."
Joint Global Coordinators	China International Capital Corporation (UK) Limited and Haitong International Securities Company Limited
Joint Bookrunners	China International Capital Corporation (UK) Limited, Haitong International Securities Company Limited, China International Capital Corporation Hong Kong Securities Limited, Huatai Financial Holdings (Hong Kong) Limited, CLSA Limited and ABCI Securities Company Limited
Managers	The Joint Global Coordinators and the Joint Bookrunners
Depositary	Citibank, N.A.

Custodian	China Construction Bank Corporation
Paying agent	See "*General Information—Paying Agent*."
Law/Jurisdiction	The GDRs will be governed by English law and will be subject to the jurisdiction of the London Court of International Arbitration. The underlying A Shares will be governed by PRC Law and will be subject to the jurisdiction of PRC courts.
SIX Swiss Exchange Ticker Symbol	GOTION
Swiss Security Number (*Valorennummer*)	120450028
Other Securities Identification Numbers of GDRs	The securities identification numbers of the GDRs offered hereby are as follows: GDR ISIN: US38349T1060 GDR Common Code: 250546297 GDR CUSIP: 38349T 106
Shenzhen Stock Exchange Code (A-Shares).	002074
Notification/Amendments or Changes	Any notices containing or announcing amendments or changes to the terms of the Offering or to this Prospectus will be announced through the electronic media and a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/).

Summary of the Risk Factors

The following is a summary of the risk factors. This list is not exhaustive, and potential investors should read "Risk Factors" included elsewhere in this Prospectus for a more detailed description of the risks associated with an investment in the GDRs.

Risks Relating to Our Business and Industry

- Our businesses are dependent on a number of industries, including electric vehicle and energy storage, and general conditions in the global economy, and a downturn experienced by any of these industries or the economy in general could adversely affect our business.

- Our success as a leading provider of new energy solutions depends to a great extent on our research and development capabilities, and failure of our technology and product research and development efforts to meet our expectations may hurt our competitiveness and profitability.

- We operate in highly competitive markets, and failure to successfully compete would adversely affect our market position and business.

- Our results of operations could be negatively impacted by fluctuations in the market price of raw materials and components, as well as any shortage or supply disruptions.

- Our failure to maintain an effective quality management system may result in a material adverse effect on our business, reputation, financial condition and results of operations.

- Increased production of batteries by automotive manufacturers could negatively affect demand for our products and intensify competition.

- Our success depends not only on our own ability but also on our customers' ability to develop and manufacture products in a timely and cost-efficient manner to address evolving customer preferences, regulatory standards, and technological advancement. Inability to do so could reduce demand for our products, and in turn cause decline in our operating revenue and profitability.

- Our growth strategy depends in part on our ability to manage our future development effectively.

- Our manufacturing processes are complex and we could experience potential disruptions in operations due to manufacturing difficulties or accidents.

- We are dependent upon our senior management team and key personnel with specialized skills, and our business, financial condition and results of operations may suffer if there are significant changes in our senior management team and key personnel.

- Work stoppage, increases in labor cost and other labor related matters may have an adverse effect on our businesses.

- Our strategic acquisitions or investments may not be successful, and we may not realize anticipated strategic benefits and financial returns from such transactions.

- We face various risks associated with our overseas operations, and our inability to effectively manage and contain them could adversely affect our business and performance.

- Our industry may suffer from overcapacity if demand for battery products does not grow as expected.

- Our operations depend on a stable, timely and adequate supply of energy at commercially reasonable prices.

- We are dependent upon third parties for various services in connection with our business.

Risks Relating to Our Legal and Regulatory Aspects

- Failure to protect our intellectual property rights, trade secrets and unpatented proprietary know-how could impair our competitiveness and impede our business and future prospects.

- We may be exposed to infringement or claims by third parties and if determined adversely to us, could cause us to lose rights and pay damages.

- We may be subject to risks associated with automotive batteries and other products and we may not have adequate insurance to cover against such claims. At the same time, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.

- New legislations or changes in the PRC regulatory requirements regarding the end markets of our products may affect our business operations and prospects.

- Failure to comply with laws and regulations or obtain, maintain or renew applicable approvals, licenses or permits may materially and adversely affect our business, financial condition and results of operations.

- Present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations.

- We are a party and may become a party to various legal proceedings, including disputes with business partners, arising in the normal course of business or otherwise, which could be material to our business and reputation.

- A breach in our cybersecurity, or failure to protect confidential information may result in significant legal and financial exposures, reputational damages and a loss of confidence by our customers.

- We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, and non-compliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, all of which could adversely affect our business, results of operations, financial condition, and reputation.

- A change of control may occur, which could influence the composition of the Board and senior management of our Company.

Risks Relating to Our Financial Aspects

- We are exposed to credit risk of our customers, and failure to collect our trade and bills receivables in a timely manner may affect our financial condition and results of operations.

- Our business requires a significant amount of capital expenditure for maintenance, upgrades and expansion of production capacity, and there can be no assurance that we will be able to successfully implement or fund our capital expenditure plans.

- We derive a majority of our operating revenue from a limited number of automotive manufacturers and any significant decrease in their order levels will negatively affect our business.

- The ongoing COVID-19 pandemic and similar epidemics could significantly disrupt our operations and adversely affect our business, results of operations, cash flows or financial condition.

- Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition, and results of operations.

- Our financial results may be affected by government grants.

Risks Relating to the PRC

- The PRC has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.

- Changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, financial condition and results of operations.

- The PRC legal system is evolving and may have uncertainties that could limit the legal protection available to us and investors and uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on us.

- Investors may have limited recourse against us or our directors, supervisors and executive officers who reside in the PRC.

- Government control of currency conversion and future movements in exchange rates may adversely affect our business, financial condition, results of operations, ability to remit dividends and prospects.

- The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may materially affect our business, financial condition and results of operations.

- Inflation in the PRC could negatively affect our profitability and growth.

Risks Relating to the GDRs and the Offering

- There has been no prior public trading market for the GDRs and for global depositary receipts in general and an active trading market may not develop or be sustained in the future.

- The market price of the GDRs may be highly volatile.

- Future sales of GDRs or A Shares could depress the market price of the GDRs.

- Our ability to pay dividends in the future depends, amongst other things, on our financial performance and is therefore not guaranteed.

- Future issues of A Shares or debt securities that are convertible into equity may dilute the holdings of shareholders of the Company and/or GDR holders.

- Following the Offering, holders of A Shares may not be able to deposit the A Shares in our GDR facility in order to receive (or sell) GDRs, and changes in regulatory policy in the PRC with respect to the placement and circulation of the A Shares outside the PRC in the form of GDRs or otherwise may negatively affect the market for the GDRs being offered.

- Voting rights with respect to the A Shares represented by the GDRs are limited by the terms of the Deposit Agreement and the relevant requirements of the PRC laws.

- GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker.

- The fungibility of the GDRs and the A Shares is dependent on the availability of Designated Brokers.

- GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares for a period of 120 days following the First Day of Trading or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended and this may give rise to price risk to GDR holders.

- Holders of the GDRs may be subject to exchange rate risk.

- The regulatory regime of Swiss-listed GDRs is new and might change.

Summary of Financial Information and Other Data

Unless otherwise stated, the summary historical financial information presented below has been extracted or derived from our consolidated historical financial information as of and for the years ended December 31, 2019, 2020 and 2021 included elsewhere in this Prospectus. The consolidated historical financial information has been prepared in accordance with PRC GAAP. For further information, see "Presentation of Financial and Other Information."

The following summary financial data should be read in conjunction with the information contained in "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the additional financial information contained elsewhere in this Prospectus and our consolidated financial statements and, in each case, the related notes thereto contained elsewhere in this Prospectus.

Selected Consolidated Income Statement Data

	Year ended December 31,		
	2019	**2020**	**2021**
		(RMB in millions) *(audited)*	
Total operating revenue	**4,959**	**6,724**	**10,356**
Operating revenue	4,959	6,724	10,356
Total operating costs	**4,843**	**6,546**	**10,383**
Operating costs	3,345	5,028	8,429
Taxes and surcharges	38	43	75
Selling and distribution expenses	334	266	330
General and administrative expenses	398	398	569
Research and development expenses	437	499	644
Financial expenses	291	312	335
Add: Other income/(loss)	510	393	559
Investment income	(24)	61	15
Gains from the changes in fair value	—	0.4	(0)
Losses from credit impairment	(220)	(336)	(343)
Losses from asset impairment	(323)	(135)	(198)
Income from disposal of assets	2	5	34
Operating profit	**59**	**168**	**39**
Add: Non-operating income	6	10	17
Less: Non-operating expenses	13	11	8
Total profit	**52**	**166**	**48**
Income tax expenses	4	20	(29)
Net profit	**48**	**147**	**77**

Selected Consolidated Statement of Financial Position Data

	As of December 31,		
	2019	2020	2021
		(RMB in millions) (audited)	
ASSETS			
Current assets			
Cash and cash balances	3,615	3,344	11,385
Financing assets held for trading	—	411	53
Notes receivable	496	427	164
Accounts receivable	5,607	6,587	6,719
Financing funds receivables	46	609	1,148
Advances to suppliers	226	249	226
Other receivables	160	135	265
Inventories	3,959	3,220	4,488
Non-current assets maturing within one year	41	84	127
Other current assets	612	554	700
Total current assets	**14,761**	**15,620**	**25,280**
Non-current assets			
Other creditor's right investments	—	5	4
Long-term receivable	102	71	25
Long-term equity investments	622	668	1,033
Other equity instrument investments	772	915	1,021
Fixed assets	5,549	7,160	8,762
Construction in progress	1,283	1,152	2,632
Right-of-use assets	—	—	9
Intangible assets	827	1,264	1,895
Development expenditures	111	150	391
Goodwill	80	81	148
Long-term deferred expenses	15	12	19
Deferred income tax assets	385	466	544
Other non-current assets	664	270	1,849
Total non-current assets	**10,409**	**12,215**	**18,333**
Total assets	**25,170**	**27,835**	**43,613**
EQUITY AND LIABILITIES			
Current liabilities			
Short-term loans	3,862	3,252	5,480
Notes payable	2,119	3,032	4,829
Accounts payable	4,341	4,017	5,406
Advance payments received	106	—	—
Contract liabilities	—	123	561
Employee benefits payable	90	113	189
Taxes payable	152	220	219
Other payables	293	239	284
Non-current liabilities due within one year	431	879	1,239
Other current liabilities	4	18	74
Total current liabilities	**11,397**	**11,894**	**18,282**
Non-current liabilities			
Long-term loans	723	2,587	4,378
Debenture payable	2,466	996	499
Lease liabilities	—	—	6
Long-term payable	870	698	590
Estimated liabilities	308	282	276
Deferred income	311	265	162
Deferred income tax liabilities	39	39	46
Total non-current liabilities	**4,717**	**4,866**	**5,957**
Total liabilities	**16,115**	**16,759**	**24,239**

	As of December 31,		
	2019	2020	2021
		(RMB in millions) (audited)	
Equity			
Share capital	1,137	1,281	1,665
Capital reserves	4,867	6,231	13,194
Less: Treasury stock	267	111	139
Other comprehensive income	12	188	496
Surplus reserves	159	159	178
Retained earnings	2,996	3,158	3,384
Total shareholders' equity attributable to parent company	**8,904**	**10,906**	**18,778**
Non-controlling interests	152	169	597
Total shareholders' equity	**9,056**	**11,075**	**19,374**
Total liabilities and shareholders' equity	**25,170**	**27,835**	**43,613**

Selected Consolidated Statement of Cash Flows Data

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions) (audited)	
Net cash flows from operating activities	(683)	685	1,058
Net cash flows from investing activities	(2,062)	(2,243)	(4,185)
Net cash flows from financing activities	3,080	1,334	10,132
Effects from change of exchange rate to cash and cash equivalents	(4)	(17)	(3)
Net increase/(decrease) in cash and cash equivalents	**331**	**(241)**	**7,002**
Add: Cash and cash equivalents at the beginning of the year	2,347	2,678	2,437
Cash and cash equivalents at the end of the year	**2,678**	**2,437**	**9,439**

Selected Other Financial Metrics

	As of and for the year ended December 31,		
	2019	2020	2021
Return on equity (%)(1)	0.53	1.33	0.40
Return on assets (%)(2)	0.19	0.53	0.18
Gearing ratio (%)(3)	64.02	60.21	55.58
Current ratio(4)	1.30x	1.31x	1.38x
Quick ratio(5)	0.95x	1.04x	1.14x

(1) Return on equity is calculated based on profit for the year divided by the ending balance of total equity of the same year and multiplied by 100%.

(2) Return on assets is calculated based on the profit for the year divided by the ending balance of total assets and multiplied by 100%.

(3) Gearing ratio is calculated based on total borrowings(including discounted bills financing, bank borrowings, other borrowings and lease liabilities) by total equity as at the respective year and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

(5) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

An investment in the GDRs involves a high degree of risk. Accordingly, prospective investors should carefully consider, among other things, the risks described below, which address the existing and future material risks to our businesses and industry and to the GDRs, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below represent the risks inherent in investing in the GDRs but are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial, could also impair our business operations. If any of the following risks actually materializes, our business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to happen, the trading price of the GDRs could decline and investors may lose all or part of their investment. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, financial condition and results of operation.

Risks Relating to Our Business and Industry

Our businesses are dependent on a number of industries, including electric vehicle and energy storage, and general conditions in the global economy, and a downturn experienced by any of these industries or the economy in general could adversely affect our business.

As a provider of new energy solutions, we manufacture and sell rechargeable batteries used for electric vehicles and energy storage systems. Accordingly, our business is affected by fluctuations in market demand for such products using our rechargeable batteries, especially for electric vehicles, which represent a major portion of our businesses. In recent years, the global electric vehicle market has grown rapidly, though its development is still at an early stage, as the production and sales volumes of electric vehicles only account for a relatively small proportion of the automotive industry. Factors such as purchase costs, charging time, cruise range, battery life, and availability of charging and supporting facilities have affected and will continue to affect the development of the electric vehicle industry. Significantly affected by these factors, the market demand for electric vehicles may fluctuate greatly in the future, which in turn will have a significant impact on demand for our battery products.

In addition, the demand for electric vehicles are significantly affected by government subsidies and economic incentives supporting the purchase and use of electric vehicles. Currently, such subsidies and incentives include tax credits and rebates that encourage the purchase of electric vehicles and lower charging rates for electricity, which may be reduced or eliminated or may expire in the future. Demand for electric vehicles is also affected by fluctuations in prices of gasoline and diesel fuel. Any changes in such government regulations or policies or prolonged periods of low prices of gasoline and diesel fuel may adversely impact the market condition of the electric vehicle industry and accordingly result in a decline in demand for our battery products.

Furthermore, the electric vehicle and energy storage industries are sensitive to general conditions in the global economy. Macroeconomic factors, such as the economic growth rate, employment levels, interest rates, inflation rates, exchange rates, commodity prices, demographic trends and fiscal policies of governments can all have a significant effect on such industries to various extents. In times of recessions, orders for our products may decrease and we may need to adjust our production levels and pricing. Uncertainties in the global economy have increased in recent years, with global financial and capital markets experiencing substantial volatility and increasing geopolitical tensions (notably in Eastern Europe, and in particular, the conflicts between Russia and Ukraine and the reaction of the international community, for which the consequences on the financial markets and the general business climate are significantly unfavorable in the short term and remain uncertain in the long term). In particular, the ongoing pandemic of a new strain of coronavirus (the "**COVID-19 pandemic**") has materially and adversely affected the global economy and financial markets since early 2020. See "*—Risks Relating to Our Financial Aspects—The ongoing COVID-19 pandemic and similar health epidemics could significantly disrupt our operations and adversely affect our business, results of operations, cash flows or financial condition.*" Any of the above could materially and adversely affect the electric vehicle and energy storage industries, which in turn may impact the demand for our battery products, and materially and adversely affect our business, financial condition and results of operations.

Our success as a leading provider of new energy solutions depends to a great extent on our research and development capabilities, and failure of our technology and product research and development efforts to meet our expectations may hurt our competitiveness and profitability.

Technological innovation is critical to our success. At the same time, as a leading provider of new energy solutions, we make significant investments in product research and development, which we believe are crucial factors for our future growth and prospects. In order to maintain and expand our competitive advantage, we need to devote significant resources on an ongoing basis.

However, as research and development activities are inherently uncertain, there can be no assurance that our research and development projects will be successful or be completed within the anticipated time frame and budget, or that our newly developed products will achieve wide market acceptance. Even if such products can be successfully commercialized, there can be no assurance that they will be accepted by our customers and achieve anticipated sales target or profit.

In addition, there can be no assurance that our existing or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. Due to uncertainties in the time frame for developing new products and the duration of market window for these products, there is a substantial risk that we may have to abandon a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product. If we fail in our product launching efforts, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We operate in highly competitive markets, and failure to successfully compete would adversely affect our market position and business.

We operate in the EV battery market, which is highly competitive. It is characterized by strong competition among a few key producers and their aggressive capital investments, research and development expenditures and strategic transactions such as joint ventures vying for a greater market share. We primarily compete with major lithium-ion battery manufacturers in China, Korea and Japan.

The most critical factors of success in the lithium-ion battery business include technological competitiveness, production capacity and competitive pricing. In addition, we compete primarily based on the following factors:

- Product safety, performance, quality and reliability;
- Manufacturing efficiency;
- Development of new products and manufacturing processes;
- Responsiveness to changes in customer needs and regulatory framework;
- Distribution capacity and ability to deliver in large volumes on a timely basis;
- Development and expansion of marketing and sales networks; and
- Stable supplies of raw materials.

In particular, entry into the EV battery market requires substantial capital expenditures and significant technological and manufacturing expertise. Although we believe that our existing investment, experience and technological expertise provide us with advantages over any potential new entrant into this market, we may still face increasing competition from emerging companies that may significantly expand the scale of their operations. In addition, some of the automotive manufacturers that built their own lithium-ion battery manufacturing facilities have increased production of lithium-ion batteries in recent periods and have announced their plans for additional capital investment to increase battery production, which may intensify the competitive pressure among manufacturers of lithium-ion batteries in the future. See "*—Increased production of batteries by automotive manufacturers could negatively affect demand for our products and intensify competition.*"

Some of our existing and new competitors may have greater financial, marketing, technical or other resources than us. Greater resources may allow such competitors to respond to changes in market demand more quickly and produce, market and distribute new or enhanced products, as well as better withstand downturns in the markets in which we compete. In addition, intense competition may lead to further consolidation in the industry and our competitors may enter into strategic alliances such as business partnerships or joint ventures, which may enable certain competitors to further benefit from greater economies of scale and more effectively compete with us. There can be no assurance that we will be able to continue to compete successfully, and our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations could be negatively impacted by fluctuations in the market price of raw materials and components, as well as any shortage or supply disruptions.

Our production operations depend on obtaining adequate supplies of quality raw materials and components on a timely basis. The main raw materials required for the production of lithium-ion batteries include cathode materials, anode materials, separators and electrolytes, which further depend on raw materials such as nickel, manganese, lithium, graphite and cobalt. In particular, mineral supplies of lithium is critical to our production, but pace of extraction or refinement of such metal is slow, which has led to a lack of sufficient extraction capacity of lithium.

The purchase price and supply of our raw materials and components have fluctuated and will continue to fluctuate, affected by the changes in commodity prices and market supply and demand, and our ability to pass on increases in the cost of raw materials and components to our customers may be limited. Moreover, prices for our products are generally determined through negotiations with our customers, typically based on the complexity of product specifications, market supply and demand and the labor and technology involved in the design or production processes. If we become subject to any significant increase in the cost of raw materials or components that was not anticipated when negotiating the price terms, we may be unable to pass on such cost increases to our customers. Future increases in prices of our raw materials and components, and our inability to pass along such increases to our customers on a timely basis may have a material adverse effect on our business, financial condition and results of operations.

To mitigate any potential interruptions of supplies and the vulnerability of our production schedule, we generally source most of our raw materials as well as key components from multiple suppliers. We also produce cathode materials for our own production of lithium-ion batteries. Additionally, we have made, and continue to make, strategic arrangements with key suppliers of raw materials and components, such as establishing joint ventures, equity investments and long-term supply agreements. Although we strive to source our key raw material and component requirements from reliable and competitive suppliers, the supply and market price of key raw materials and components remain subject to a variety of factors that are beyond our control. These may include natural disasters, health hazard such as the COVID-19 pandemic, civil unrest, wars, strikes or trade sanctions or restrictions, including those relating to conflict minerals. See "*—Risks Relating to Our Financial Aspects—The ongoing COVID-19 pandemic and similar health epidemics could significantly disrupt our operations and adversely affect our business, results of operations, cash flows or financial condition.*"

Our suppliers may not be able to cater to our growing demands, any delay in receiving raw materials in the quantities and of the quality could delay our ability to meet market demand for our batteries. Although we implement quality inspection on the materials, there can be no assurance that we will be able to identify all of the quality issues. Any such factor could disrupt our sources of raw materials and components and could have a material adverse effect on our output capacity, and in turn on our business, financial condition and results of operation.

Our failure to maintain an effective quality management system may result in a material adverse effect on our business, reputation, financial condition and results of operations.

Our product quality is critical to our success. The effectiveness of our quality management system, in turn, depends on a number of factors, including the design of the system, the machineries used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality management policies and guidelines. We are required to comply with specific guidelines based on product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. Our safety standards for the inspection of our products are also based on relevant national and industry standards. There can be no assurance that our quality management system will continue to be effective and in compliant with relevant laws, regulations and standards. Any significant failure in, or deterioration of the efficacy of, our quality management system could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our business, financial condition and results of operations. For details of our quality controls, see "*Our Business—Raw Materials, Production and Quality Controls—Quality Controls.*"

Increased production of batteries by automotive manufacturers could negatively affect demand for our products and intensify competition.

In response to growing demand for electric vehicles, many automotive manufacturers have announced plans to increase their own production of rechargeable batteries, which comprise a significant portion of the total cost of manufacturing an electric vehicle. Our customers' capital investment in in-house battery manufacturing will increase overall supply of battery products in the long term, negatively affect our customers' purchase volume from us and may intensify competitive pressure among manufacturers of lithium-ion batteries in the future. See "*—We operate in highly competitive markets, and our failure to successfully compete would adversely affect our market position and business*."

In addition, some of the global automotive manufacturers have entered into joint ventures with battery manufacturers to increase production of batteries. If other global automotive manufacturers begin to increasingly fulfill their battery needs through their own joint ventures, they may rely less on third-party manufacturers like us. Moreover, as these joint ventures invest a substantial amount of capital in constructing battery manufacturing facilities, they would contribute to the increase in overall supply of battery products in the near future, which could negatively affect the demand for our products and intensify competition accordingly.

Our success depends not only on our own ability but also on our customers' ability to develop and manufacture products in a timely and cost-efficient manner to address evolving customer preferences, regulatory standards, and technological advancement. Inability to do so could reduce demand for our products, and in turn cause decline in our operating revenue and profitability.

Our performance depends, to a significant extent, upon our own ability to anticipate and respond to emerging industry standards and customer preferences by way of ensuring developments of novel, and enhancements to existing, products in a timely and cost-efficient manner. The markets for our products are characterized by constantly evolving technology and industry standards that outpace products under development or production, often resulting in product obsolescence or shortening product lifecycles. See "*—Our success as a leading provider of new energy solutions depends to a great extent on our research and development capabilities, and failure of our technology and product research and development efforts to meet our expectations may hurt our competitiveness and profitability*."

Our success is also closely interrelated with the performance of our customers' end-use products in the marketplace because a substantial portion of our sales are made to downstream manufacturers that produce end-use products with lithium-ion batteries as a component. Major customers for our automotive batteries include multinational automotive manufacturers and there are various risks beyond our control that may dictate the success or failure of a particular product offered by our customers, which include:

- Competition faced by our customers in their industries;
- Market acceptance of and demand for our customers' products;
- Research and development, engineering, sales, marketing and management capabilities of our customers;
- Technical challenges unrelated to our technology or products that our customers may face in developing their products;
- Our customers' financial and other resources; and
- Changes in government regulations and industry standards applicable to our customers and their products.

Accordingly, should any of the above occur, the demand for our products from our customers may decrease, which will in turn have a material adverse effect on our business, financial condition, results of operations and prospectus.

In particular, shortages or supply disruptions of key raw materials or components of our customers could adversely affect their production operations, which in turn could have an adverse effect on their demand for our products. For example, during the COVID-19 pandemic, the global automotive industry has experienced a shortage in the supply of automotive semiconductor products in light of an increase in the global demand for semiconductors in general, which has forced many global automotive manufacturers to reduce production of automobiles including electric vehicles. Such production reduction has negatively affected our customers' demand for our battery products, and may have an adverse impact on our business if the shortage of automotive semiconductor products or other key raw materials or components continues for a prolonged period.

Our growth strategy depends in part on our ability to manage our future development effectively.

Our growth strategy is dependent in part on its ability to manage future development, such as our ability to successfully expand our business, to hire, train and retain new personnel, to establish and maintain adequate financial control and prudence relating to the funding of our projects, and to manage growing scales of operations. We are also continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business. See "*Our Business—Strategies*." We expect to further expand our business, which may expose us to additional risks, including, among other things:

- difficulties with managing operations into new geographical regions, including complying with the various local regulatory and legal requirements;
- recruiting sufficient personnel in these new markets; and
- challenges in attracting customers and remaining competitive.

If we are unable to effectively avoid or mitigate these risks, our ability to expand our business will be affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our manufacturing processes are complex and we could experience potential disruptions in operations due to manufacturing difficulties or accidents.

The manufacturing processes for lithium-ion battery products are highly complex, requiring sophisticated and costly equipment that is periodically modified and upgraded to improve manufacturing yields and product performance, and reduce unit manufacturing costs. These updates expose us to the risk that from time to time production difficulties may arise that could cause delivery delays, reduced output or both. There can be no assurance that we will not experience manufacturing problems in achieving acceptable output, product delivery delays or both as a result of, among other things, construction delays, difficulties in upgrading or modifying existing production lines or building new plants, difficulties in modifying existing or adopting new manufacturing technologies or processes or delays in equipment deliveries, any of which could constrain our production capacity and adversely affect our results of operations.

In addition, our manufacturing processes pose certain risks, including industrial accidents or fire, and may result in significant property damage or personal injury. While we have implemented stringent safety procedures in the manufacturing processes to minimize such risks, accidents may nonetheless occur. Any accident, regardless of where it occurs, may result in significant production interruption and delays or claims for substantial damages caused by personal injuries or property damage, thereby adversely affecting our business, financial condition and results of operations.

We are dependent upon our senior management team and key personnel with specialized skills, and our business, financial condition and results of operations may suffer if there are significant changes in our senior management team and key personnel.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team. If we lose the services of any member of our senior management team, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all, and our business, financial condition, results of operations and prospects could be materially and adversely affected. Our success also depends on our ability to attract and retain experienced and highly trained personnel. However, competition to hire highly qualified personnel is intense and there can be no assurance that we will be able to meet our staffing needs in the future. Any failure by us to hire or replace a sufficient number of skilled key employees on a timely and effective basis could have negative repercussions on our business, financial condition, results of operations and prospects.

Work stoppage, increases in labor cost and other labor related matters may have an adverse effect on our businesses.

We believe that we have a good working relationship with our employees. We have not experienced any material work stoppages, strikes or other major labor problems in the past. However, there can be no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our business, financial condition and results of operations.

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing costs. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, and our financial condition and results of operations may be materially and adversely affected.

Our strategic acquisitions or investments may not be successful, and we may not realize anticipated strategic benefits and financial returns from such transactions.

We may engage from time to time in acquisitions and other strategic investments in order to expand our production capacity, diversify our product portfolio, gain access to new markets and stable sources of raw materials or acquire new technologies. However, there can be no assurance that our efforts, or any future acquisitions or investments will be successful or that we will achieve the anticipated strategic benefits and financial returns from such transactions.

There are various risks associated with our acquisitions and investments, which include the following:

- Challenges related to integration of acquired company's or investee's operations into our business;

- Substantial delays or reduction in anticipated synergies;

- Events beyond our control, including changes in regulations, technology and economic condition, which could adversely affect our ability to realize benefits and returns from such transaction;

- Potential increase in indebtedness that could constrain our operations;

- Exposure to unknown or contingent liabilities that could require significant expenditures and capital injections;

- Failure to train, motivate, integrate and retain employees of acquired company or investee;

- Diversion of management time and attention from our existing operations to address the transactions and related challenges or those associated with integration processes; and

- Unanticipated write-offs or charges, and impairment of goodwill.

If we fail to address any of the foregoing risks, our business, financial condition and results of operations may be materially and adversely affected.

We face various risks associated with our overseas operations, and our inability to effectively manage and contain them could adversely affect our business and performance.

A small portion of our products are sold to overseas markets such as the United States and Netherlands, while we operate several research and development centers in overseas countries such as the United States, Japan and Singapore. In line with our strategies, we intend to expand our overseas operations in the coming years. The demand for and market acceptance of our products marketed and sold abroad are subject to a high level of uncertainty and heavily influenced by local conditions. In addition, overseas investments by PRC companies are also subject to various approvals, filings, reports, registrations or other procedures from the National Development and Reform Commission, the Ministry of Commerce, the State Administration of Foreign Exchange and other PRC regulatory authorities. The following sets forth some of the risks associated with our overseas operations:

- Exchange rate fluctuations, foreign exchange controls and restrictions on fund repatriation, see "*—Risks Relating to the GDRs and the Offering—Government control of currency conversion and future movements in exchange rates may adversely affect our business, financial condition, results of operations, ability to remit dividends and prospects*";

- Expenses associated with understanding and analyzing overseas markets, monitoring regional and local economic, industry and consumer trends, and developing and maintaining efficient production, marketing and distribution presence in such markets;

- Developing and maintaining customer relations, and providing quality customer services and support;

- Expenses incurred and difficulties in connection with compliance with local commercial and legal requirements, including labor, environment and industry-specific regulations;

- Unanticipated changes in regional and local economic conditions;

- Political instability and civil unrest, cultural or regional conflicts and labor disputes; and

- Trade barriers, such as local content requirements, tariffs, taxes and other restrictions and expenses.

Failure to address any of the foregoing risks or complete such procedures with respect to overseas investments in the course of our overseas expansion may adversely affect our business, financial condition, operations and prospects.

Our industry may suffer from overcapacity if demand for battery products does not grow as expected.

We may be adversely affected by overcapacity in the EV and ESS battery industries if demand for battery products do not grow as currently expected. Battery product manufacturers have typically increased their capital investments when demand growth in the end markets that use the battery products is expected. In particular, an increase in the global demand for electric vehicles in recent years has led to an increase in the global production capacity to manufacture lithium-ion batteries, which is a trend that is expected to continue in the near future. The capital investments to increase global production capacity as well as adoption of new manufacturing technologies may result in increases in the supply of battery products that are not necessarily matched by any commensurate growth in the demand of the end markets for battery products. Furthermore, construction of new manufacturing facilities and other capacity expansion projects in the EV and ESS battery industries are undertaken over multiple years based on expectations of future market trends. Therefore, even if overcapacity issues emerge in the industry, there may be continued capacity expansion in the short term due to pre-committed capacity expansion projects that were undertaken in the recent past. From time to time, we may experience significant and sometimes prolonged periods of industry-wide oversupply and weak prices, particularly during periods subsequent to completion of major production capacity expansion projects of our competitors, and it would be difficult to remedy such situation by reducing production given the nature of our industry. An actual or anticipated deterioration in market conditions may result in a decline in demand for our products that may have a negative impact on the prices at which they can be sold. Any future downturns resulting from large increases in the production capacity or other factors affecting the EV and ESS battery industries could have a material adverse effect on our business, financial condition and results of operations.

Our operations depend on a stable, timely and adequate supply of energy at commercially reasonable prices.

We depend on the supply of energy, including electricity, water and steam, to maintain our production processes. Our production volume and manufacturing costs are affected by the price and supply of energy. The prices of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy, and local and national regulatory requirements. Furthermore, there can be no assurance that unexpected and serious shortages of energy will not occur in the future or that we will be able to pass on any cost increases to our customers. Any possible changes in the power consumption policies, especially those leading to rising prices of energy, could adversely affect our business, financial condition, results of operations and prospects. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the price of our products accordingly and may also negatively affect our competitive advantage. If we are unable to pass increased costs onto our customers, which will result in a decrease of our profit margins. Moreover, if the supply of energy is affected by natural disasters, adverse weather conditions, equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply at commercially reasonable prices. Any such events may have a material adverse effect on our business, financial condition and results of operations.

We are dependent upon third parties for various services in connection with our business.

During the Track Record Period, we relied on third-party service providers for services in connection with our business, such as logistics. We obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner or of satisfactory quality. If the third-party service providers fail to perform satisfactorily, substantially reduce the amount and scope of services provided to us, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions, which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services, or fail to comply with our requirements or those of our customers or applicable laws and regulations, our reputation in the industry may be adversely affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Our Legal and Regulatory Aspects

Failure to protect our intellectual property rights, trade secrets and unpatented proprietary know-how could impair our competitiveness and impede our business and future prospects.

We rely on our proprietary technologies and production know-how to maintain our competitive position in the markets in which we operate, and we consider development of new or improved products or manufacturing technologies a critical driver of continued success for our business. We take active measures to safeguard our intellectual property by obtaining patents and undertaking monitoring activities in our major markets. However, there can be no assurance that the measures that we undertake will effectively deter competitors from improper use of our proprietary technologies. Our competitors may misappropriate our intellectual property, disputes as to ownership of intellectual property may arise or our intellectual property may otherwise become known or independently developed by our competitors.

We also rely upon trade secrets, unpatented proprietary know-how and information, as well as continuing technological innovation in our business. The information we rely upon includes core technology and key customer information. Although we enter into confidentiality agreements with our employees and consultants upon the commencement of an employment or consulting relationship, there can be no assurance that they will not be breached. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business. In addition, our competitors may come to know about or obtain our trade secrets and other proprietary information through a variety of methods. Disputes may arise concerning our trade secrets or the applicability or enforceability of our confidentiality agreements, and there can be no assurance that any such disputes would be resolved in our favor. Any failure to protect our material intellectual property or unauthorized disclosure of our trade secrets or other unpatented proprietary know-how could impair our competitiveness and harm our business and future prospects.

We may be exposed to infringement or claims by third parties and if determined adversely to us, could cause us to lose rights and pay damages.

Our continued success depends on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to battery and other technologies involve complex scientific, legal and factual questions and analyses and, therefore, may be highly uncertain.

Although we are currently not aware of any parties pursuing or intending to pursue infringement claims against us, there can be no assurance that we will not be subject to such claims in the future. Moreover, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications by other parties that relate to our technologies, products or processes.

The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution, as well as diversion of our management's attention. The occurrence of any of the foregoing could have an adverse effect on our business, financial condition and results of operations.

We may be subject to risks associated with automotive batteries and other products and we may not have adequate insurance to cover against such claims. At the same time, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.

The automotive batteries that we produce which on rare occasions can cause damage. Accordingly, we face inherent risk of exposure to claims when our products malfunction resulting in property damage, personal injury, or death. Despite our efforts to make safe battery products, our batteries may still experience defects, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. Product liability claims against us could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate substantial negative publicity about our products and business, and inhibit or prevent commercialization of our future products, which would materially and adversely affect our brand, business, prospects, and results of operations. Our insurance coverage might not be sufficient to cover all potential product liability claims.

In addition, our business is subject to a variety of operational risks, including production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, we may further expand our operations in overseas markets in the future, and we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. We may not have adequate or any insurance to cover these operational risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

New legislations or changes in the PRC regulatory requirements regarding the end markets of our products may affect our business operations and prospects.

Our products are applied to our customer's end-use products. New legislations or changes in the PRC regulatory requirements regarding these end markets, such as electric vehicles, may affect our business, financial condition, results of operations and prospects. For example, the PRC government has promulgated, amended and updated a number of legislations in relation to the NEV market. On June 28, 2012, the State Council of the PRC approved the Energy-saving and New Energy Automobile Industry Development Plan (2012-2020) (《节能与新能源汽车产业发展规划(2012-2020年)》) (国发[2012]22号), granting supports and subsidies to NEVs and hybrid vehicles. On July 14, 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularization and Application of New Energy Vehicle (《国务院办公厅关于加快新能源汽车推广应用的指导意见》) (国办发[2014]35号) to grant further tax incentives and exemptions for NEVs. On March 13, 2015, the Ministry of Communications issued the Opinions on Accelerating the Promotion and Application of New Energy Vehicles in the Transportation Industry (《关于加快推进新能源汽车在交通运输行业推广应用的实施意见》) (交运发[2015]34号). A preferential vehicle licensing system has also been introduced in several cities in the PRC to further encourage the purchases of NEVs. On October 20, 2020, the State Council issued the "Development Plan for New Energy Automobile Industry (2021-2035)" (Guobanfa [2020] No. 39) (《新能源汽车产业发展规划(2021–2035年)》(国办发[2020]39号)), which proposed to achieve the large-scale application of highly autonomous vehicles in 15 years. In addition, in the context of the national goal of carbon neutrality, the PRC energy storage market welcomes a series of favorable policies. We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets for our products, but we may not be able to do so in a timely and efficiently manner. Any new legislations or changes in the PRC regulatory requirements relating to our products could materially and adversely affect our business, financial condition and results of operations. For details, see "*Regulatory Overview*."

Failure to comply with laws and regulations or obtain, maintain or renew applicable approvals, licenses or permits may materially and adversely affect our business, financial condition and results of operations.

Our operations are governed by relevant laws and regulations relating to EV battery, production safety, radiation safety, product quality and environmental protection, among other things. Compliance with these laws and regulations can be difficult and costly. New laws or regulations or changes to laws and regulations can impose additional compliance costs, reduce our operating revenue, require us to change our operations to ensure compliance or otherwise harm our business. Since 2019, we received two administrative penalties and were fined RMB100,000 or more each, which we have paid in full. We do not consider such penalties material to our business. Meanwhile, as advised by the PRC legal advisors of the Company, such penalties did not involve material noncompliance of laws and regulations.

We are required to hold several approvals, licenses and permits in connection with our business operations. Our business is subject to governmental supervision and regulation by relevant PRC governmental authorities, which promulgate and enforce regulations that may affect our operations, including the scope of permissible business activities, licenses and permits for various business activities, and overseas investment. However, the industries in which we operate are still evolving, and laws and regulations may be interpreted and implemented adversely to us or new laws and regulations may be adopted from time to time that require additional approvals, licenses and permits. Any failure by us to obtain the necessary approvals, licenses and permits, or renew the same or otherwise maintain all approvals, licenses and permits required for our operations at any time could disrupt our business, which could have a material adverse effect on our business, financial condition and results of operations.

For our new construction/expansion projects, we are required to obtain various approvals, permits, licenses and certificates throughout multiple stages. Generally, such approvals, licenses, permits or certificates are only issued or renewed after certain conditions have been satisfied. There can be no assurance that we will not encounter obstacles toward fulfilling such conditions that delay us in obtaining, or result in our failure to obtain, the required approvals, permits, licenses and certificates. In the event that we encounter significant delays or failure in obtaining or renewing, the necessary approvals, permits, licenses and certificates for any of our new construction/expansion projects, we will not be able to continue with our development plans, and our business, financial condition, results of operations and prospects may be adversely affected.

In the event that we do not obtain the necessary approvals, permits, licenses and certificates for construction but continue to construct and/or put it into use, we may be subject to certain fines, penalties, demolish order, suspension from using and other rectification orders, and our right to use these buildings may be limited or challenged by the relevant government authorities or third parties, which in turn, adversely affect our business, financial condition, results of operations and prospects. As of December 31, 2021, we had not obtained title certificates for some of our production and operation properties in China. For some of such properties, we had obtained relevant documents that were necessary for their construction, and were in the process of applying for the relevant title certificates. The rest of such properties without title certificates accounted for 5.47% by gross floor area of all of our properties. As advised by the PRC legal advisors of the Company, such lack of title certificates would not have a material adverse effect on our production and operations. Nevertheless, there can be no assurance that our business and operations will not be adversely affected as a result.

Present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to certain PRC laws and regulations relating to environmental, safety and occupational health matters. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, there can be no assurance that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as wastewater and waste gas. The discharge of such pollutants from our manufacturing operations into the environment, if in violation of relevant regulations, may give rise to liabilities that may require us to incur costs to remedy such discharge. There can be no assurance that the situations that will give rise to environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should the PRC imposes stricter environmental protection standards and regulations in the future, there can be no assurance that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in the manufacturing costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

We are a party and may become a party to various legal proceedings, including disputes with business partners, arising in the normal course of business or otherwise, which could be material to our business and reputation.

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of business or otherwise. Moreover, there can be no assurance that additional claims will not arise in the future. A resolution or conclusion of these litigation, arbitration, administrative or other proceedings or actions unfavorable to us, including an injunctive relief and other non-monetary remedies, could have an adverse effect on our business, financial condition and results of operations. Additionally, any amount that we may be required to pay to satisfy a judgment, settlement, fine or penalty may not be covered by our insurance policies. Legal proceedings, and any adverse resolution thereof, can also result in adverse publicity and damage to our reputation, which could materially and adversely affect our business. As of December 31, 2021, we were involved in four pending legal proceedings and arbitrations as the defendant or respondent at a claim amount of RMB10 million each and one of our consolidated subsidiaries was listed as a dishonest person subject to enforcement under PRC laws due to failure to fulfill the obligations under relevant court judgments, which are not considered material to our business.

In addition, we have in the past formed, and will in the future continue to form cooperative relationships with other parties in the course of our business. We may have disputes with these business partners over various aspects in the course of our cooperation, such as performance of each party's obligations, scope of each party's responsibilities and product quality. A serious dispute with our business partners may cause the loss of business opportunities or disruption to or termination of the relevant project or business venture. If such dispute or litigation cannot be settled in a timely manner, our financial condition and businesses may be adversely affected. Such dispute or litigation may also divert our management's attention and other resources, and if a decision or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the related project or operations.

A breach in our cybersecurity, or failure to protect confidential information may result in legal and financial exposures and reputational damages.

We utilize information technology in the normal course of our operations. Our business involves storage and transmission of data about our business, suppliers, business partners and customers. A breach in the cybersecurity of our system could subject us to potentially legal liability, financial exposures and reputational damages, thereby adversely affecting our business. Our information security measures may fail due to external and internal security threats, outages, malicious intrusions and attacks, programming or human errors and malfeasance, or other events. There can be no assurance that our information security measures will be effective in protecting us from cyber-attacks and other events in the future.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, and non-compliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, all of which could adversely affect our business, results of operations, financial condition, and reputation.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities. In the ordinary course of business, we have business collaborations with government agencies and state-owned affiliated entities. Our policies and procedures instituted may not be sufficient, and if any of our directors, officers, employees, representatives, consultants, agents, and business partners engaged in any improper conduct, we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, all of which could materially and adversely affect our business, reputation, financial condition and results of operations.

A change of control may occur, which could influence the composition of the Board and senior management of our Company.

As of the date of this Prospectus, Mr. LI Zhen is the actual controlling person of our Company. Pursuant to the May 28, 2020 shareholder agreement signed by it, Volkswagen (China) Investment Co., Ltd. made an undertaking relating to giving up certain of its voting rights, for the purpose of ensuring the stability in the business management of our Company. For details, see "*Principal Shareholders*." Accordingly, once such undertaking expires due to lapse of time or other circumstances as stipulated in the shareholder agreement, Volkswagen (China) Investment Co., Ltd. may recover its voting rights, thereby becoming the largest shareholder of our Company in terms of both A Shares held and voting rights, which may, in turn, influence the composition of the Board and senior management of our Company.

Risks Relating to Our Financial Aspects

We are exposed to credit risk of our customers, and failure to collect our trade and bills receivables in a timely manner may affect our financial condition and results of operations.

Our trade receivables turnover days were 390 days, 331 days and 234 days, respectively, in 2019, 2020 and 2021. Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may incur impairment losses. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment loss provision. There can be no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner, and our measures to recover such trade and bills receivables may not be successful. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

Our business requires a significant amount of capital expenditure for maintenance, upgrades and expansion of production capacity, and there can be no assurance that we will be able to successfully implement or fund our capital expenditure plans.

We operate in an industry where producers with economies of scale enjoy competitive advantages. Accordingly, to maintain long-term competitiveness and to continually improve profitability, our business requires a significant amount of capital investments for the maintenance, upgrading and expansion of production facilities and equipment in a timely and cost-efficient manner. Accordingly, we plan to continually invest in expanding our production facilities and upgrading our equipment and manufacturing processes in order to increase our production capacity, achieve additional economies of scale and support production of new products. Our total capital expenditures in 2022, consisting primarily of cash used in purchases of fixed assets, are mainly for the expansion of battery and material production facilities in the PRC.

Our ability to build, operate and maintain additional production capacity and increase or diversify our output is subject to significant risks and uncertainties, which may include delays and cost overruns associated with the build-out of new or upgraded facilities, delays in obtaining necessary government approvals, disruptions of raw material supplies and labor, and equipment malfunctions or breakdowns, which may be exacerbated by the COVID-19 pandemic. In addition, new or upgraded equipment may not perform at projected utilization levels, the yield and product quality of new equipment may differ from design specifications, and other irregularities may call for modifications to or repairs on the equipment.

In order to finance our production facility expansion, maintenance and upgrading plans, we intend to use cash on hand, funds from operations, debt financing and the proceeds from the Offering. However, there can be no assurance that we will successfully secure sufficient amount of capital in a timely manner or that loans will be made available on terms commercially acceptable to us and within the limitations imposed by the terms of our existing or any future financings. If we cannot meet our funding needs for the capital expenditures, we may have to delay implementation of our plans to expand production capacity, which may in turn hamper our ability to meet future demand, resulting in a decline in profitability and a loss of market share. Additionally, our capital investments typically will be made well in advance of any revenue that will be generated from making such expenditures. If unforeseen adverse market conditions lead to a decline in demand for our products, which in turn results in a mismatch between our sales volume and production capacity, or if product prices decline due to market oversupply or we encounter production difficulties, we may not be able to recover our capital investments, in part or in full, or the recovery of these investments may take longer than expected, which may have a material adverse effect on our business, financial condition and results of operations.

We derive a majority of our operating revenue from a limited number of automotive manufacturers and any significant decrease in their order levels will negatively affect our business.

A majority of our operating revenue is derived from a limited number of global automotive manufacturers. In 2019, 2020 and 2021, sales revenue from our top five customers accounted for 63.4%, 35.8% and 35.8% of our total operating revenue, respectively. According to the Frost & Sullivan Report, the concentration rate of top five customers for our peers in terms of revenue contribution largely exceeds 50%. Nevertheless, we may still be affected by risks arising from customer concentration. Although our long-term business relationships with our major customers provide high visibility for future revenue, there can be no assurance that we will be able to maintain our relationships with them in the future. Demand from our major customers may fall short of our estimation due to changes in our customers' business models, strategies or financial condition, or changes in the automotive market environment and macroeconomic conditions, among other things. In addition, any adverse changes in our relationships or in the key commercial arrangements with our major customers may cause material fluctuations or declines in our revenue and have a material adverse effect on our business, financial condition, results of operations and prospects.

Accordingly, if any of our major customers significantly reduces its purchase volume or ceases to place orders with us, or if we misinterpret the market demand, we may not be able to identify new customers in a timely manner and conduct our sales on commercially reasonable terms, or seek alternative ways to make up for the decrease in sales, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

The ongoing COVID-19 pandemic and similar epidemics could significantly disrupt our operations and adversely affect our business, results of operations, cash flows or financial condition.

The ongoing COVID-19 pandemic and other health epidemics, medical emergencies and public health crises beyond our control could have a negative impact on our businesses. Large-scale medical emergencies can take many forms and can cause widespread illness and death. For example, COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2, was declared a "pandemic" by the World Health Organization in March 2020 and has materially and adversely affected the global economy in 2020 till now. Currently, there are a limited number of vaccines or antiviral drugs approved for its prevention or treatment. Although the full extent of the impact from the COVID-19 pandemic on our businesses is unknown at this time, it could affect the health of our employees, or otherwise impact the productivity of our employees or the productivity of our customers, as well as implementation of our production facility expansions. In addition, the COVID-19 pandemic has caused an economic recession, increased unemployment rates and other disruptions in many countries. Any of these impacts, including the prolonged continuation of these impacts, could adversely affect our business.

Other risks associated with a prolonged outbreak of COVID-19 or other health epidemics include:

- an increase in unemployment among, and/or decrease in disposable income of, consumers who purchase the products manufactured by our customers and a decline in overall consumer confidence and spending levels, which in turn may decrease demand for our products;
- disruption in the normal operations of the businesses of our customers, which in turn may decrease demand for our products;
- disruption in the supply of raw materials, components and equipment from our suppliers;
- disruption in the delivery of our products to customers;
- disruption in the normal operations of our business resulting from contraction of COVID-19 by our employees, which may necessitate our employees to be quarantined and/or our manufacturing facilities or offices to be temporarily shut down;
- disruption resulting from the necessity for social distancing, including implementation of temporary adjustment of work arrangements requiring employees to work remotely and restriction on business travel, which may lead to a reduction in labor productivity;
- unstable global and PRC financial markets, which may adversely affect our ability to meet our funding needs on a timely and cost-effective basis.

It is impossible to predict the duration or full magnitude of harm from COVID-19. In the event that COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, our business, financial condition and results of operations may be materially adversely affected.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition, and results of operations.

The global financial markets experienced significant disruptions in 2008 and the United States, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the end of quantitative easing by the US Federal Reserve, the economic slowdown in the Eurozone since 2014, uncertainties over the impact of Brexit, the ongoing trade disputes and tariff wars between the United States and China, and the impact of COVID-19 outbreaks and the related economic policies taken by various governments in the world, and the recent geopolitical conflicts relating to Russia and Ukraine. It is unclear whether these challenges will be contained and what effects they each may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. Economic conditions in China are sensitive to global economic conditions. Any prolonged slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. Sales of our customers' end-use products especially electric vehicles depend in part on discretionary consumer spending and are even more exposed to adverse changes in general economic conditions. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of our customers' end-use products, which may in turn materially and adversely affect our business, financial condition and results of operations indirectly.

Our financial results may be affected by government grants.

We received government grants of RMB509.5 million, RMB393.3 million and RMB558.4 million in 2019, 2020 and 2021, respectively. Not all of the government grants are recurring in nature. Government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local governments. In addition, the development focus of local governments may shift to other industries over time. There can be no assurance that we will be able to receive any such government grants in the future or at all, in which case our results of operations and financial condition may be materially and adversely affected.

Risks Relating to the PRC

The PRC has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.

We conduct our business and generate substantially all of our operating revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition, results of operations and prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the COVID-19 outbreaks have caused disruption to the global economy, which may in the future continue to have an impact on the PRC's economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations. In particular:

- During a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us;

- We may not be able to raise additional capital on terms that are commercially favorable to us, or at all; or

- Trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC's automotive battery industry and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreaks of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the PRC, Asia and elsewhere in the world.

As such, if the PRC's economy experiences significant adverse developments or a significant downturn, our business, financial condition and results of operations would be materially and adversely affected.

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, financial condition and results of operations.

A substantial majority of our assets are located in China, and substantially all of our operating revenue is derived from our businesses in China. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for over four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adjusted or modified, or applied inconsistently, from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

The PRC legal system is evolving and may have uncertainties that could limit the legal protection available to us and investors and uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on us.

Our Company is incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, these laws and regulations may be subject to different interpretation and inconsistently enforced. In addition, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to investors and us.

Investors may have limited recourse against us or our directors, supervisors and executive officers who reside in the PRC.

Our Company's main presence outside Switzerland may limit the legal recourse of investors against us or our directors, supervisors or executive officers. Our Company is incorporated under the laws of the PRC and a substantial majority of its assets and subsidiaries are located in the PRC. In addition, most of our Company's directors, supervisors and executive officers reside within the PRC and the assets of these directors, supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process within Switzerland or elsewhere outside the PRC upon our Company's directors, supervisors and executive officers. Moreover, the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of Switzerland or certain western countries. As a result, recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible. These limitations may deprive investors of effective legal recourse for claims related to their investments in the GDRs.

Government control of currency conversion and future movements in exchange rates may adversely affect our business, financial condition, results of operations, ability to remit dividends and prospects.

Conversion and remittance of foreign currencies are subject to the Chinese foreign exchange regulations. There can be no assurance that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may materially affect our business, financial condition and results of operations.

Pursuant to the Labor Contract law of the PRC and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. In addition, according to the Social Insurance Law of the PRC, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations are still evolving, there can be no assurance that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the PRC government since the 2008 global economic crisis and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our operating costs will likely increase and our profitability could be materially reduced, as there can be no assurance that we would be able to pass any cost increases onto our customers.

Risks Relating to the GDRs and the Offering

There has been no prior public trading market for the GDRs and for global depositary receipts in general and an active trading market may not develop or be sustained in the future.

Prior to the Offering, there has been no public market for the GDRs and no similar global depositary receipts have been listed and publicly traded on a Swiss stock exchange. There can be no assurance that an active trading market for the GDRs and global depositary receipts in general will develop or be sustained after the Offering. Furthermore, there can be no assurance that the price at which the GDRs will trade in public markets subsequent to the Offering will not be lower than the final Offer Price. In the past, the prices of global depositary receipts offered publicly for the first time in jurisdictions other than Switzerland have been subject to considerable fluctuations that may not have reflected the business, results of operations, financial condition and prospects of the company that issued the underling A shares, and there has been often a discount of the GDR price (taking into account of the conversion ratio) compared to the price of the underlying A shares traded on the PRC stock exchanges. If an active trading market is not developed or maintained, the liquidity and trading price of the GDRs could be adversely affected. The market price of the GDRs could be affected by adverse developments affecting the general economic or investment climate. Geopolitical factors such as war or acts of terrorism or a pandemic or political tension may indirectly affect the market price of the GDRs. If an active market of the GDRs fails to develop and continue after the Offering, investors may not be able to resell their GDRs at or above the Offer Price. In addition, there can be no certainty as to the basis on which market makers will provide liquidity in the secondary market, which could negatively affect the terms on which investors are able to transact in the GDRs.

The market price of the GDRs may be highly volatile.

Investors may not be able to resell their GDRs at or above the Offer Price, or at all, as the market price of the GDRs after the Offering may be adversely affected by factors within or outside our control, including, but not limited to, variations in our results of operations, economic and market conditions, or changes in government relations or relevant regulations in relevant jurisdictions. Market fluctuations, as well as economic conditions and geopolitical factors, may adversely affect the market price of the GDRs. In addition, noting that the settlement of redemptions of GDRs through a Designated Broker (where the Designated Broker sells the underlying A Shares on the Shenzhen Stock Exchange) may take place on either a two-trading-day rolling basis or a three-trading day rolling basis (which may therefore be a slightly longer settlement cycle than the usual two-trading-day rolling basis), and at times such period may be further prolonged by public holidays in relevant jurisdictions), price volatility may increase the risk of failed trades occurring. Such one trading day difference is due to the requirement in China for A Shares to be pre-delivered for selling purpose and the time it takes to effect a non-trade transfer of A Shares from the Depositary to the Designated Broker before the Designated Broker can sell A Shares on the Shenzhen Stock Exchange. Therefore, investors redeeming GDRs may be subject to an additional trading day market risk in China where the relevant Designated Broker does not hold any inventory of A Shares.

Certain of the regular and *ad hoc* announcements will be made public by the Company after close of trading of the underlying A Shares on the Shenzhen Stock Exchange, but prior to commencement of trading of GDRs on SIX Swiss Exchange, and overseas investors will react first on such announcements ahead of the PRC investors and they may react in a different way than the PRC investors and accordingly the market for GDRs may become more volatile than expected.

The capital markets have experienced extreme volatility and disruption over the past few years and in particular in the past few months. In some cases, the markets have produced downward pressure on stock prices for certain issuers seemingly without regard to those issuers' underlying financial performance or strength. Several factors could cause the market price for the GDRs to fluctuate substantially in the future, including, without limitation:

- the liquidity of the market for the GDRs;
- the trading hours for the GDRs at SIX Swiss Exchange;
- the availability of the Designated Brokers and their capacity to create and redeem the GDRs;
- end of the 120 days lock-up restriction for redemption of the GDRs;
- actual or anticipated sales of substantial amounts of GDRs or A Shares by the Group or other shareholders into the marketplace;

- announcements of developments related to our business;
- actual or anticipated fluctuations in our financial results and results of operations;
- negative developments affecting our reputation or business relationships;
- changes of general or perceived conditions in our targeted markets;
- a shortfall in our operating profit or earnings compared to securities analysts' expectations;
- changes in securities analysts' recommendations or projections;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- adverse perception of our announcement of new acquisitions or other projects;
- speculation in the press or investment community;
- changes in accounting principles;
- general adverse market sentiment;
- extraneous geopolitical factors, including increased regulations; and
- implementation of new laws or regulations or changes in interpretations of existing laws and regulations, including listing rules.

Future sales of GDRs or A Shares could depress the market price of the GDRs.

Sales of substantial amounts of GDRs or A Shares (which are listed on the Shenzhen Stock Exchange) following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the GDRs.

Our ability to pay dividends in the future depends, among other things, on our financial performance and is therefore not guaranteed.

To the extent that our Company pays dividends, the distribution of dividends will be dependent upon a number of factors, including the future profit, financial position, statutory reserve requirements, amount of distributable reserves, available credit of our Company and the general economic conditions and other factors that the directors deem significant from time to time. Subject to the PRC Company Law and other relevant laws and regulations and the Articles of Association, the Company may distribute dividends based on a portion of its profits attributable to its shareholders of the relevant year, and any dividends distributed in cash shall not be less than 10% of the profits attributable to its shareholders of the relevant year if it is profitable for the relevant year and the accumulated undistributed profit is positive. For further details, see "*Dividends and Dividend Policy*." However, the Company is allowed to amend its Articles of Association with no less than two thirds of the votes present at the shareholders' general meeting. Moreover, our Company's ability to declare and pay cash dividends on the GDRs may be restricted by, among other things, covenants in any credit facilities that our Company may enter into in the future, the recovery of any accumulated losses in the future and provisions of PRC laws. Therefore, there can be no assurance that any dividend will be paid, nor can there be an assurance as to the amount, if any, which will be paid in any given year, and GDR holders may not receive any return on their investment in the GDRs unless they sell their GDRs or redeem the GDRs through a Designated Broker at a price greater than that which they paid for them.

Furthermore, as all of our Company's business is undertaken through our subsidiaries, our Company is reliant on distributions from these companies in gathering cash flows to pay a dividend. A material decline in operating revenues generated by one or more of our Company's subsidiaries or the occurrence of a material investment by our Company in relation to any subsidiary could prevent our Company from making distributions to its shareholders and GDR holders. In addition, in the event of the insolvency, bankruptcy, liquidation, dissolution or winding-up of a subsidiary, secured and unsecured creditors of the subsidiary will have the right to be paid before any distributions are made to our Company. These factors could have a material adverse effect on our Company's ability to pay dividends to its shareholders and GDR holders.

Future issues of A Shares or debt securities that are convertible into equity may dilute the holdings of shareholders of the Company and/or GDR holders.

In order to raise funding in the future, our Company may issue additional new A Shares, including in the form of A Shares and GDRs or debt securities that are convertible into equity and the terms may include liquidation or other preferences that adversely affect the rights of GDR holders. There can be no assurance that any additional new Shares of the Company will be issued by way of rights issue. Holders of the GDRs may not have any pre-emptive rights with respect to any new equity issuances by our Company. Accordingly, if and when our Company issues A Shares or debt securities that are convertible into equity in the future, the percentage holding of a shareholder and, indirectly, a GDR holder in our Company (and, therefore, the economic investment made by the shareholder and, indirectly, a GDR holder) will be diluted if such shareholder or, indirectly, GDR holder, does not acquire its proportional entitlement of additional new A Shares or GDRs (as the case may be), and the terms may include liquidation or other preferences that adversely affect the rights of a GDR holder.

Following the Offering, holders of A Shares may not be able to deposit the A Shares in our GDR facility in order to receive (or sell) GDRs, and changes in regulatory policy in the PRC with respect to the placement and circulation of the A Shares outside the PRC in the form of GDRs or otherwise may negatively affect the market for the GDRs being offered.

Whenever the Depositary believes that the A Shares deposited with it against issuance of GDRs represent (or, upon accepting any additional A Shares for deposit, would represent) a percentage exceeding any limit established by any applicable law, directive, regulation or permit, or trigger any condition for the making of any filing, application, notification or registration or for obtaining any approval, license or permit under any applicable law, directive or regulation, or for taking any other action, the Depositary may close its books to deposits of additional A Shares to prevent such thresholds or limits being exceeded or conditions being satisfied.

As approved by the CSRC on July 22, 2022, the total number of A Shares represented by the GDRs to be offered may not exceed 249,706,175, and the total number of GDRs to be offered by our Company in the Offering may not exceed 49,941,235. The CSRC approval further states that the total number of outstanding GDRs may not exceed the actual number of GDRs offered by our Company in the Offering, subject to adjustment in the event of certain corporate actions.

The liquidity of, and market for, the GDRs could be adversely affected in the event that the Depositary closes its books to deposits of additional A Shares.

Voting rights with respect to the A Shares represented by the GDRs are limited by the terms of the Deposit Agreement and the relevant requirements of the PRC laws.

The holders of the GDRs (in their capacity as GDR holders) will have no direct voting rights with respect to the A Shares represented by the GDRs. They will be able to exercise voting rights with respect to the A Shares represented by the GDRs only in accordance with the provisions of the terms and conditions of the GDRs and the relevant requirements of the laws of the PRC generally applicable to all shareholders of our Company. See "*Terms and Conditions of the Global Depositary Receipts*." There are, therefore, practical limitations upon the ability of the holders of the GDRs to exercise their voting rights due to the additional procedural steps involved in communicating with them.

To exercise their voting rights, the holders of the GDRs must instruct the Depositary on how to vote the A Shares represented by the GDRs they hold. Because of these additional procedural steps involving the Depositary, the process for exercising voting rights may take longer for holders of the GDRs than for holders of the A Shares, and our Company cannot assure the holders of the GDRs that they will receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. The GDRs for which the Depositary does not receive timely, legible and clear voting instructions will not be voted, and the Depositary will not exercise any discretion as to voting, and will not vote or attempt to exercise the right to vote, the A Shares except pursuant to the voting instructions received from holders. However, if the Depositary receives timely voting instructions from a holder that are legible and clear but do not specify the manner in which the A Shares are to be voted, in accordance with customary market practice, the Depositary will deem such holder (unless otherwise specified in the notice distributed to holders) to have instructed the Depositary to vote in favor of the items in such voting instructions. In certain circumstances, the Depositary will represent all the A Shares underlying the GDRs regardless of voting instructions for the sole purpose of establishing a quorum at a meeting of shareholders.

The Depositary is only required to execute the voting instructions of the holders of GDRs insofar as practicable and as permitted under applicable law. Holders of GDRs (in their capacity as GDR holders) will not be able to instruct the Depositary to: (i) introduce proposals for the agenda of shareholders' meetings or request that a shareholders' meeting be called; or (ii) nominate candidates for the Board of Directors or certain other of our Company's governance bodies. However, if holders of GDRs also hold A Shares, they may be able to introduce proposals, request that a shareholder meeting be called or nominate candidates in their capacity as shareholders if their shareholding reaches the required threshold.

GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their onshore accounts or have the underlying A Shares held on their behalf by a Designated Broker.

Foreign investors are not generally able to hold A shares in Chinese listed companies pursuant to restrictions under PRC law, subject to certain limited exemptions, such as for QFIIs and RQFIIs. In addition, pursuant to the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges, GDR holders will not be permitted to redeem their GDRs and directly hold the underlying A Shares in an on-shore account (such as a QFII or an RQFII account, where they have such an account) or have the underlying A Shares held on their behalf by a Designated Broker. GDR holders that are QFIIs and RQFIIs (or are otherwise able to hold A Shares through another exemption) that wish to hold A Shares (for example, in order to exercise any of the rights that A shareholders have but which GDR holders do not) would need to sell some or all of their GDRs (either on SIX Swiss Exchange (or another legitimate trading venue) or by redeeming their GDRs and selling the underlying A Shares on the Shenzhen Stock Exchange) and separately buy A Shares outside the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges to be held in a separate (existing or newly established) QFII or RQFII or other account.

The fungibility of the GDRs and the A Shares is dependent on the availability of Designated Brokers.

One of the features of the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges is that investors will be able to redeem their GDRs by selling the underlying A Shares through a Designated Broker (although, as noted above, investors will not be able to hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker). Pursuant to the DR Provisions, the redemption of GDRs and subsequent sale of underlying A Shares may only be facilitated by certain Designated Brokers. Designated Brokers are members of SIX Swiss Exchange (or otherwise designated by SIX Swiss Exchange) and designated by the Shenzhen Stock Exchange who hold accounts with members of the Shenzhen Stock Exchange enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to quotas imposed by relevant regulators, as described below). However, there can be no assurance that any Designated Broker will have sufficient capacity on any given trading day to facilitate the redemption of GDRs.

This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place sell or redemption orders with Designated Brokers who are able to seek the best price for the securities from either market.

Two Designated Brokers were confirmed in Switzerland as of July 22, 2022. The PBOC and the SAFE published the Administrative Measures on Cross-border Funds under Depositary Receipts (For Trial Implementation) (存托凭证跨境资金管理办法(试行)) in May 2019, which requires the Designated Brokers to file certain documents and register with the SAFE. Pursuant to their SAFE registration, each Designated Broker will be subject to restrictions relating to, amongst other things, the types of securities such Designated Broker can deal in (such as the A shares underlying GDRs, money market funds and treasury bills, and other securities as specifically approved by the CSRC), as well as daily inventory-related quotas on the maximum number and value of cash and securities held by such Designated Broker and foreign exchange-related quotas on the cumulative net inflow of funds into the PRC in connection with the redemption and creation of GDRs executed by such Designated Broker (which are not expected to give rise to any material risk to GDR holders). According to the Official Answers to Press Questions Regarding the Depository Receipts Business under the Stock Connect Scheme published on the CSRC's website on February 11, 2022, the CSRC officials stated that given that there are still sufficient quotas under both eastbound and westbound businesses, the current maximum quota of cross-border capital flow under the Stock Connect Scheme, which includes an eastbound aggregate quota of RMB250 billion and a westbound aggregate quota of RMB300 billion, remains unchanged; and securities institutions conducting cross-border conversion can hold cash and other specific classes of assets with the amount of no more than RMB500 million in relevant markets for the purpose of shortening the conversion cycle and hedging market risk. The quotas and the upper limit on the balance of the assets in relevant markets could be adjusted having regard to the operation of the Stock Connect Scheme and the demands of the market.

However, there can be no guarantee that the Designated Brokers will provide liquidity between SIX Swiss Exchange and the Shenzhen Stock Exchange or that the number of Designated Brokers will increase over time, and any failure to do so may restrict the ability of GDR holders to sell their GDRs through a Designated Broker selling the underlying A Shares to investors in China, thus limiting the available capital pool and, as a result, may mean that GDR holders cannot obtain the highest possible price for their GDRs. In addition, Designated Brokers will be able to set their own pricing terms and, if the number of Designated Brokers fails to increase, or decreases, over time, this may result in the fees payable to Designated Brokers becoming less competitive, potentially increasing costs for GDR holders when either buying GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares or selling GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange.

GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares for a period of 120 days following the First Day of Trading or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended and this may give rise to price risk to GDR holders.

The GDRs and A Shares are separate securities and there may be a price differential between the trading price of the GDRs (taking into account of the conversion ratio) on SIX Swiss Exchange and the trading price of the A Shares on the Shenzhen Stock Exchange. Whilst GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker, pursuant to the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges, investors will (subject to the below) be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares. However, in accordance with the DR Provisions which apply to the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges, GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the First Day of Trading. For this purpose, the redemption means that the GDR holders will deliver GDRs through a Designated Broker to the Depositary which will cancel the GDRs and effect a non-trade transfer of the underlying Shares of the GDRs to the Designated Broker which will then sell the underlying Shares on the Shenzhen Stock Exchange and repatriate the cash, less costs and applicable taxes to the GDR holders.

Trading in the A Shares on the Shenzhen Stock Exchange may also be suspended from time to time. Our Company may apply to the Shenzhen Stock Exchange for a suspension of trading in its A Shares for a number of reasons (such as where our Company forecasts that it would be difficult to maintain the confidentiality of any material and disclosable information, the disclosure of which would have, or already has had, a significant impact on the price of the A Shares). The suspension of trading in A Shares does not necessarily lead to the suspension on trading in GDRs and vice versa. During the period of any such trading suspension, it is expected that trading in the GDRs on SIX Swiss Exchange will continue. However, during any such period, the redemption (or creation) of GDRs by the Depositary may be delayed or restricted. In addition, the trading price of A Shares on a trading day will be subject to a limit of 10% increase or decrease based on the closing price of the previous trading day.

This may give rise to price risk to GDR holders. To the extent that the trading price of the A Shares is higher than the trading price of the GDRs (taking into account of the conversion ratio), GDR holders may not be able to take advantage of such higher price for the 120 days following the First Day of Trading or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended. For such period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and GDR holders will only be able to sell their GDRs through SIX Swiss Exchange or another legitimate trading venue. The DR Provisions also restrict transfers of GDRs by our Company's controlling shareholder, actual controller or entities under their control for a period of 36 months from the First Day of Trading. On the other hand, to the extent that the trading price of the A Shares is higher than the trading price of the GDRs (taking into account the conversion rate) upon expiry of the 120 days following the First Day of Trading, a significant number of GDR holders may wish to sell their GDRs by instructing a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange, in which case, the liquidity of the trading of GDRs on SIX Swiss Exchange may be materially and adversely affected. Where the trading price of A Shares on a trading day reaches the 10% limit as described above, the Designated Broker may not be able to successfully buy or sell the underlying A Shares for the purpose of creation or redemption of the GDRs.

Holders of the GDRs may be subject to exchange rate risk.

The GDRs are, and any dividends to be paid in respect of them will be, denominated in USD. As dividends of our Company's A Shares are announced and paid in RMB, the final dividend proceeds GDR holders receive, which will be denominated in USD, will be subject to exchange rate risk. An investment in GDRs by an investor whose principal currency is not USD will also expose the investor to foreign currency exchange rate risk. Any depreciation of the USD in relation to such foreign currency will reduce the value of the investment in the GDRs or any dividends in foreign currency terms.

The regulatory regime of Swiss-listed GDRs is new and might change.

The regulatory regime of Swiss-listed GDRs, including the rules defining the Standard for Depository Receipts that form part of the Listing Rules, have been overhauled and recently entered into force in July 2022, and the arrangement relating to the clearing and settlement of the GDRs through Euroclear and Clearstream has not been widely adopted by SIX Swiss Exchange for other listed equity securities. Given that we are expected to be one of the first few companies of global depository receipts to be listed and traded on SIX Swiss Exchange, SIX Exchange Regulation does not have prior experience with its regime on global depositary receipts. As a result, SIX Exchange Regulation may continue to amend the current regime or certain rules if it deems it necessary or appropriate. Changes in the regulatory regime for global depositary receipts may adversely affect the rights of the GDR holders or the price of the GDRs.

Furthermore, the PRC law and the rules of the Shenzhen Stock Exchange are, in many aspects, different from Swiss law and the rules of SIX Exchange Regulation. We may not be able to predict every potential impact of Swiss law or the rules of SIX Exchange Regulation applicable to us. GDR holders may have certain obligations under the Swiss law which are otherwise not assumed by or applicable to holders of the underlying A Shares. If we fail to obtain a waiver to release us from conflicting obligations either from the competent authority in Switzerland or in the PRC, the rights of the GDR holders or the price of the GDRs may be materially and adversely affected, and we may face fines or other charges, which could adversely impact our business, financial condition and results of operations.

We believe the Offering and the listing of GDRs will help enhance our international profile and assist us in achieving increases in the market share of our products globally.

Assuming the sale of all Firm GDRs at an offer price of the mid-point of the Offer Price Range, we expect to receive gross proceeds of between approximately US$1,003.5 million (assuming no exercise of the Upsize Option) and US$1,505.2 million (assuming the Upsize Option is exercised in full) and net proceeds of between approximately US$976.6 million (assuming no exercise of the Upsize Option) and US$1,466.9 million (assuming the Upsize Option is exercised in full), after deducting the total fees (including underwriting commissions, assuming the discretionary fee is paid in full), costs and expenses payable by us in connection with the Offering (inclusive of VAT).

We intend to use the net proceeds received from the Offering as follows:

- Approximately 85% of the net proceeds will be used to support the expansion of our business, particularly to grow our overseas production capacity of battery products and raw materials through investment in fixed assets, acquisition of equity interests or other means, to increase our international footprint; and

- Approximately 15% of the net proceeds will be used for working capital and other general corporate uses.

The foregoing use of proceeds may change in light of our evolving business needs, regulatory environment and prevailing market conditions and in a way that is consistent with our business strategies and in accordance with applicable laws. To the extent that the net proceeds from the Offering are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

General

Holders of the GDRs will be entitled to receive future dividends, including any dividends declared in respect of the financial year ending December 31, 2022 and in respect of any subsequent period, provided dividends are declared. The distribution shall be made by the Depositary to those Holders of GDRs who are Holders of record on the GDR Record Date established by the Depositary for that purpose (which shall be as close as practicable to the applicable record date for the Deposited Property (if any) set by the Company). Payments to Holders of dividends or other distributions or payments made to Holders on or in respect of the Deposited Shares will be subject to deduction of PRC and other withholding taxes, if any, at the applicable rates. For details, see "*Terms and Conditions of the Global Depositary Receipts—10. GDR Record Dates" and "Terms and Conditions of the Global Depositary Receipts—15. Taxation and Applicable Laws*."

Dividend Policy

We distribute dividends primarily in the form of cash, but may also distribute dividends in the form of stock or a combination of cash and stock. Any proposed distribution of dividends is subject to the discretion of the senior management and the approval of the Board, the Supervisory Committee and the shareholders. The Board may recommend a distribution of dividends in the future after taking into account our Company's results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that the Board may deem relevant. See "*—Legal Considerations*."

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to our Company, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that the Board of Directors may consider important.

The Board of Directors may also propose an interim dividend based on the Company's profitability and funding needs in accordance with its Plan on Shareholder Returns for Future Three Years (2020 to 2022) published on May 28, 2020. Such plan shall be revisited by the Company at least every three years and revised according to responses from shareholders (especially public shareholders), independent Directors and Supervisors.

There can be no assurance that in any given year a dividend will be proposed or declared. See "*Risk Factors—Risks Relating to the GDRs and the Offering—Our ability to pay dividends in the future depends, amongst other things, on our financial performance and is therefore not guaranteed*." The information on our Company's policies relating to dividends constitutes forward-looking statements. Forward-looking statements are not guarantees of future financial performance and our Company's actual future dividends or capital distributions could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described under "*Forward-Looking Statements*" and "*Risk Factors*."

To the extent that dividends are declared and paid in the future, holders of GDRs on the relevant record date will be entitled to receive dividends payable in respect of A Shares underlying the GDRs, subject to the terms of the Deposit Agreement. For additional information, see "*Description of Share Capital—Capital Structure—Rights to Dividends*."

Past Dividends

We did not declare and pay cash dividends in connection with our distributable profits for the year of 2019 and 2020.

In April 2022, our Board of Directors adopted a resolution to declare a cash dividend of RMB1.001322 (inclusive of tax) per ten A Shares with respect to 1,662,508,925 A Shares (which was calculated by excluding the number of repurchased A Shares from our total A Shares then outstanding) in connection with our distributable profits for the year of 2021, which was approved by our annual shareholders' general meeting for the year of 2021 on May 23, 2022. Such cash dividends were paid in June 2022.

We did not declare and pay stock dividends in connection with our distributable profits for the years of 2019, 2020 and 2021.

Legal Considerations

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit for the year/period (on an after tax basis) only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve equivalent to 10% of our profits for the year/period (on an after tax basis), and, except when the balance of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no further allocations to this statutory reserve will be required; and
- allocations, if any, to a discretionary reserve as approved by our shareholders in a shareholders' meeting.

In addition, we shall distribute cash dividends if the following conditions are met:

- we have sufficient cash to fund its operations after paying the cash dividend; and
- we do not have plans for material investment or expect material cash outflows (other than cash outflows funded by proceeds from securities offerings).

If all such conditions are met for a financial year, we shall distribute cash dividends with respect to that financial year in an aggregate amount of no less than 10% of the distributable profits realized for that year, and the accumulated profits for distribution in the most recent three financial years shall be no less than 30% of the average annual distributable profits realized in the same period.

When determining profit distribution plans, our Board of Directors shall consider, among others, the nature of the industry that we operate in, our current development stage, business model and profitability, and any expected material capital expenditures. Our Board of Directors shall propose differentiated profit distribution plans based on the factors described above and in accordance with our Articles of Association. In particular:

- where we are in a mature development stage and has no plan for material capital expenditures, cash dividends shall be no less than 80% of the total dividends to be distributed;

- where we are in a mature development stage and expects material capital expenditures, cash dividends shall no less than 40% of the total dividends to be distributed;

- where we are in a growing development stage and expects material capital expenditures, cash dividends shall be no less than 20% of the total dividends to be distributed; and

- where we are in a development stage which is difficult to classify and expects material capital expenditures, cash dividends shall be no less than 20% of the total dividends to be distributed.

In addition, dividends declared and paid on the GDRs if any are subject to applicable PRC taxes. For further details, see "*Tax Considerations*."

The following table sets forth certain information on the consolidated capitalization and indebtedness:

- on an actual basis for the Group as of December 31, 2021; and
- on an as-adjusted basis for the Group to give effect to the Offering and receipt by the Company of the estimated net proceeds of US$976.6 million (assuming the sale of all Firm GDRs at the mid-point of the Offer Price Range and no exercise of the Upsize Option) after deducting the total fees (including underwriting commissions, assuming the discretionary fee is paid in full), costs and expenses payable by the Company in connection with the Offering) (inclusive of VAT).

The following table should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and the notes thereto, included elsewhere in this Prospectus.

	As of December 31, 2021	
	Actual	**As Adjusted**
	(RMB in millions)	
	(unaudited)	
Total current liabilities	18,282	18,282
— of which guaranteed/secured	5,429	5,429
Total non-current liabilities	5,957	5,957
— of which guaranteed/secured	5,486	5,486
Total liabilities	**24,239**	**24,239**
Capital stock	1,665	1,831
Capital reserves	13,194	19,622
Less: Treasury stock	139	139
Other comprehensive income	496	496
Surplus reserves	178	178
Undistributed profits	3,384	3,384
Total shareholders' equity attributable to parent company	**18,778**	**25,372**
Total capitalization	**43,017**	**49,611**

As of the date of this Prospectus, there have been no changes to the information set forth in the table above, other than (i) as a result of ongoing normal operating activities, such as changes in cash and cash equivalents and results of operations of the Group, (ii) as otherwise discussed in this Prospectus, and (iii) any changes that would not have a material adverse effect on the Group.

The consolidated financial information presented below sets out our selected consolidated financial and other data as of and for the years ended December 31, 2019, 2020 and 2021. The selected consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows have been derived from the consolidated historical financial information as of and for the years ended December 31, 2019, 2020 and 2021. The consolidated historical financial information has been prepared in accordance with PRC GAAP. For further information, see "Presentation of Financial and Other Information."

The following selected financial data should be read in conjunction with the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," the additional financial information contained elsewhere in this Prospectus and our consolidated financial statements and, in each case, the related notes thereto contained elsewhere in this Prospectus.

Selected Consolidated Income Statement Data

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions) (audited)	
Total operating revenue	**4,959**	**6,724**	**10,356**
Operating revenue	4,959	6,724	10,356
Total operating costs	**4,843**	**6,546**	**10,383**
Operating costs	3,345	5,028	8,429
Taxes and surcharges	38	43	75
Selling and distribution expenses	334	266	330
General and administrative expenses	398	398	569
Research and development expenses	437	499	644
Financial expenses	291	312	335
Add: Other income/(loss)	510	393	559
Investment income	(24)	61	15
Gains from the changes in fair value	—	0.4	(0)
Losses from credit impairment	(220)	(336)	(343)
Losses from asset impairment	(323)	(135)	(198)
Income from disposal of assets	2	5	34
Operating profit	**59**	**168**	**39**
Add: Non-operating income	6	10	17
Less: Non-operating expenses	13	11	8
Total profit	**52**	**166**	**48**
Income tax expenses	4	20	(29)
Net profit	**48**	**147**	**77**

Selected Consolidated Statement of Financial Position Data

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
	(audited)		
ASSETS			
Current assets			
Cash and cash balances	3,615	3,344	11,385
Financing assets held for trading	—	411	53
Notes receivable	496	427	164
Accounts receivable	5,607	6,587	6,719
Financing funds receivables	46	609	1,148
Advances to suppliers	226	249	226
Other receivables	160	135	265
Inventories	3,959	3,220	4,488
Non-current assets maturing within one year	41	84	127
Other current assets	612	554	700
Total current assets	**14,761**	**15,620**	**25,280**
Non-current assets			
Other creditor's right investments	—	5	4
Long-term receivable	102	71	25
Long-term equity investments	622	668	1,033
Other equity instrument investments	772	915	1,021
Fixed assets	5,549	7,160	8,762
Construction in progress	1,283	1,152	2,632
Right-of-use assets	—	—	9
Intangible assets	827	1,264	1,895
Development expenditures	111	150	391
Goodwill	80	81	148
Long-term deferred expenses	15	12	19
Deferred income tax assets	385	466	544
Other non-current assets	664	270	1,849
Total non-current assets	**10,409**	**12,215**	**18,333**
Total assets	**25,170**	**27,835**	**43,613**
EQUITY AND LIABILITIES			
Current liabilities			
Short-term loans	3,862	3,252	5,480
Notes payable	2,119	3,032	4,829
Accounts payable	4,341	4,017	5,406
Advance payments received	106	—	—
Contract liabilities	—	123	561
Employee benefits payable	90	113	189
Taxes payable	152	220	219
Other payables	293	239	284
Non-current liabilities due within one year	431	879	1,239
Other current liabilities	4	18	74
Total current liabilities	**11,397**	**11,894**	**18,282**
Non-current liabilities			
Long-term loans	723	2,587	4,378
Debenture payable	2,466	996	499
Lease liabilities	—	—	6
Long-term payable	870	698	590
Estimated liabilities	308	282	276
Deferred income	311	265	162
Deferred income tax liabilities	39	39	46
Total non-current liabilities	**4,717**	**4,866**	**5,957**
Total liabilities	**16,115**	**16,759**	**24,239**
Equity			
Share capital	1,137	1,281	1,665
Capital reserves	4,867	6,231	13,194
Less: Treasury stock	267	111	139
Other comprehensive income	12	188	496
Surplus reserves	159	159	178
Retained earnings	2,996	3,158	3,384
Total shareholders' equity attributable to parent company	**8,904**	**10,906**	**18,778**
Non-controlling interests	152	169	597
Total shareholders' equity	**9,056**	**11,075**	**19,374**
Total liabilities and shareholders' equity	**25,170**	**27,835**	**43,613**

Selected Consolidated Statement of Cash Flows Data

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
		(audited)	
Net cash flows from operating activities	(683)	685	1,058
Net cash flows from investing activities	(2,062)	(2,243)	(4,185)
Net cash flows from financing activities	3,080	1,334	10,132
Effects from change of exchange rate to cash and cash equivalents	(4)	(17)	(3)
Net increase/(decrease) in cash and cash equivalents	**331**	**(241)**	**7,002**
Add: Cash and cash equivalents at the beginning of the year	2,347	2,678	2,437
Cash and cash equivalents at the end of the year	**2,678**	**2,437**	**9,439**

Selected Other Financial Metrics

	As of and for the year ended December 31,		
	2019	2020	2021
Return on equity (%)(1)	0.53	1.33	0.40
Return on assets (%)(2)	0.19	0.53	0.18
Gearing ratio (%)(3)	64.02	60.21	55.58
Current ratio(4)	1.30x	1.31x	1.38x
Quick ratio(5)	0.95x	1.04x	1.14x

(1) Return on equity is calculated based on profit for the year divided by the ending balance of total equity of the same year and multiplied by 100%.

(2) Return on assets is calculated based on the profit for the year divided by the ending balance of total assets and multiplied by 100%.

(3) Gearing ratio is calculated based on total borrowings(including discounted bills financing, bank borrowings, other borrowings and lease liabilities) by total equity as at the respective year and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

(5) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

The following is a discussion and analysis of our financial condition and results of operations and should be read in conjunction with the consolidated financial statements, the accompanying notes and the description of our business included elsewhere in this Prospectus.

This discussion of our financial condition and results of operations contains forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us because of various factors, see "Forward-Looking Statements" and "Risk Factors." In addition, certain industry issues also impact our financial condition and results of operations, as described in "Industry and Market Overview."

Overview

We are one of the earliest companies in China to engage in independent research and development, production and sales of EV lithium-ion batteries, and have grown into a world-leading and rapidly expanding provider of new energy solutions. Our major products are EV batteries and ESS batteries, from which we derive most of our operating revenue. Since our inception, we have focused on accumulating scientific knowledge and carrying out technological research on battery materials, production and product applications.

We have achieved significant growth in 2019, 2020 and 2021. Our operating revenue increased by 35.6% from RMB4,958.9 million in 2019 to RMB6,724.2 million in 2020, and further increased by 54.0% to RMB10,356.1 million in 2021. Moreover, our net profit amounted to RMB48.3 million, RMB146.9 million, RMB76.9 million in 2019, 2020 and 2021, respectively, with net profit margin of 1.0%, 2.2% and 0.7% during the same periods.

Key Factors Affecting Our Performance

Our results of operations and financial condition have been, and will continue to be, materially affected by a number of factors and developments, some of which are outside our control, including:

Global and China's market conditions of the new energy market and NEV market, including government policies affecting EV and energy storage, which will impact our sales volume and pricing

A substantial majority of our operating revenue was derived from the sales of our rechargeable lithium-ion batteries. In particular, the sales of automotive battery products contribute a major portion of our operating revenue. Accordingly, our business is affected by fluctuations in market demand for the products using our rechargeable batteries, which include new energy passenger vehicles, commercial vehicles, and special purpose vehicles. Factors, such as purchase costs, charging time, cruising range, battery life and the availability of charging and supporting facilities, have affected and will continue to affect the development of the new energy market and NEV market. Our total sales volume, measured in terms of the aggregate power output of our battery products sold, has continually increased in recent periods, primarily due to the growing demand for automotive batteries and our capacity expansion. We derived most of our operating revenue from the sales of our lithium-ion battery products, which represented 87.1%, 93.4% and 94.3% of our total operating revenue, respectively, in 2019, 2020 and 2021.

The demand for EVs is also sensitive to the introduction of government regulations and policies relating to the environment or energy, including government subsidies and economic incentives supporting the purchase and use of EVs. Currently, such subsidies and incentives include tax credits or rebates that encourage the purchase of EVs and lower charging rates for electricity, which may be reduced or eliminated or may expire in the future. In addition, the demand for our ESS battery products is affected by government policies relating to power plants and renewable energy generation. In 2021, the penetration rate of NEVs in the globe and China reached 10.0% and 16%, respectively, and is projected to further reach 35.3% and 50.1% in 2026, according to Frost & Sullivan. Significantly affected by these factors, the market demand for NEVs may fluctuate greatly in the future, which in turn will have a significant impact on demands for our automotive batteries. As such, the PRC EV battery market is expected to grow, and battery installed capacity is expected to reach 927.6 GWh in 2026 with a CAGR of 37.4% from 2022 to 2026. We have established and maintained a product portfolio that are catered for such demands and the evolving preferences of the consumers could generally affect our financial performance.

Our pricing is also significantly influenced by general demand in the market segments in which we participate and by the specification of our products, including their energy density, power capacity, weight, lifespan, charging speed, heat resistance, and other performance criteria, as well as delivery requirements and order volume. The accelerated growth of new energy vehicles has also led to a rapid decline in the price of ESS batteries. The average selling prices of lithium-ion batteries in general are expected to continue declining as a result of, among other factors, technological advancements, cost reductions and price competition. Our average unit price decreased from RMB2.83/Ah in 2019 to RMB2.43/Ah in 2020, and further to RMB2.16/Ah in 2021. However, we experienced robust growth in sales volume from 152.6 million Ah in 2019 to 258.3 million Ah in 2020 and further to 451.8 million Ah in 2021. As such, our operating revenue increased from RMB4,958.9 million in 2019 to RMB6,724.2 million in 2020, and further to RMB10,356.1 million in 2021, representing a CAGR of 44.5% from 2019 to 2021.

Our R&D capabilities which are critical to our success

As we mainly operate in highly competitive PRC EV battery markets characterized by evolving industry standards, technological development and product innovation. Our R&D efforts on batteries are based on fundamental material and digital science, and we shall continue to focus on fundamental science as a long-term strategy. As such, we make significant investments in R&D and product development, which we believe are crucial factors for our future growth and prospects. Accordingly, we have made significant investments in R&D activities to maintain and expand our competitive advantage. Our R&D investments, including expenses and capitalized costs, amounted to RMB588.1 million, RMB695.7 million, and RMB1,166.6 million, respectively, in 2019, 2020, and 2021, which accounted for 11.9%, 10.4% and 11.3% of our operating revenue for the same years. Going forward, we plan to further improve our technological capabilities and thus expect our R&D investments to further increase in absolute amount. We believe our strategic focus on R&D will further reinforce our market leadership, which in turn will promote our operating revenue growth and strengthen our financial performance.

Our ability to control costs of raw materials and components and improve operating efficiency

Our operating cost primarily consists of raw material and components cost, accounting for approximately 69.1%, 76.8% and 81.2% of our total operating cost in 2019, 2020 and 2021. We made strategic arrangements with top suppliers of raw materials, such as equity investments and long-term supply agreements, so as to minimize the potential for any interruptions to our operations arising from supply of principal raw materials. See "*Our Business—Raw Materials, Production and Quality Controls—Raw Materials and Suppliers*." Fluctuations in raw material and components prices have affected and are expected to continue to affect our results of operations.

We generally source most of our raw materials and key components from multiple suppliers. Whilst we strive to source our key raw materials from reliable suppliers at competitive prices both domestically and through agents from overseas markets, the supply and market prices of key raw materials and components remain subject to a variety of factors that are beyond our control. These may include natural disasters, health hazard, such as the COVID-19 pandemic, civil unrest, wars, strikes or trade sanctions or restrictions, including those relating to conflict minerals. In addition, we have manufactured in-house cathode materials and produced other major raw materials through establishing joint venture with third parties. We intend to continually adhere to such strategy, and further reduce our raw material costs to enhance our competitive advantages.

Whilst our administrative expenses and selling expenses increased in absolute amount, such operating expenses decreased as a percentage of our operating revenue from 14.8% in 2019 to 9.9% in 2020, and further to 8.7% in 2021, which demonstrated an improvement in our operating efficiency. As we expand our production capacity and grow our operating revenue, we expect our operating efficiency to continue improving.

Our capital expenditures and production capacity expansion

Our future long-term growth will be dependent on our ability to continue to expand our production capacity and total output beyond current levels. As such, we have established a network of production facilities in strategic locations in China to better serve our major geographic markets and target customers. Accordingly, we have made substantial investments in the maintenance, upgrading and expansion of production facilities and equipment. Our capital expenditures amounted to RMB2,313.4 million, RMB2,141.7 million, and RMB5,438.8 million in 2019, 2020 and 2021.

In this regard, we plan to continue investing in expanding our production facilities and upgrading our equipment and manufacturing processes, in order to increase our production capacity, achieve additional economies of scale and support production of new products. Our total capital expenditures, in 2019, 2020 and 2021, consisting primarily of cash used in acquisition of properties, land and manufacturing equipment, were mainly for the expansion of automotive battery production facilities and R&D facilities in Liuzhou, Guangxi province, Yichun, Jiangxi province, Hefei, Anhui province, and Nanjing, Jiangsu province. See "Our Business—Raw Materials, Production and Quality Controls—Production Facilities." Increased capital expenditures lead to increases in depreciation and amortization expenses as well as financing costs related to such expenditures. The level of capital expenditures we make, as well as the returns we are able to achieve on our capital expenditure investments, have in the past affected and may continue to affect our results of operations and financial condition.

The COVID-19 pandemic and macroeconomic conditions

The ongoing COVID-19 pandemic has materially and adversely affected the global economy since early 2020 and could have a negative impact on our business. It could affect the wellbeing of our employees, or otherwise impact the productivity of our employees and customers, as well as implementation of our expansion plans. See "*Risk Factors—Risks Relating to Our Business and Industry—The ongoing COVID-19 pandemic and similar health epidemics could significantly disrupt our operations and adversely affect our business, results of operations, cash flows or financial condition*." In addition, the COVID-19 pandemic has caused an economic recession, increased unemployment rates and other disruptions in many countries, adversely affecting the new energy market and NEV market that use our battery products. These industries are sensitive to general conditions in the global economy. Macroeconomic factors, such as the economic growth rate, employment levels, interest rates, inflation rates, exchange rates, commodity prices, demographic trends and fiscal policies of governments can all have a significant, albeit to varying degrees, effect on such industries. In times of recessions, orders for our products may decrease and we may need to adjust our production levels and pricing. In addition, the COVID-19 pandemic may hinder the expansion of our overseas business. Due to the disruptions of supply chain and production during the COVID-19 pandemic, our production volume decreased in 2020 compared to 2019. Nonetheless, our operating revenue significantly increased since 2019, which was attributable to the surging industry demand as supported by various favorable governmental policies.

Preparation of the consolidated financial statements

Our consolidated financial information in 2019, 2020 and 2021 has been prepared in accordance with PRC GAAP. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at their fair value. The consolidated financial statements are presented in Renminbi.

The consolidated financial statements present the results of our Company and its subsidiaries as if they formed a single entity. Where our Group has control over an investee, it is classified as a subsidiary. Control is achieved when our Group has power over the investee, is exposed to variable returns from the investee, and has the ability to affect those variable returns through its power over the investee. All material intra-group transactions and balances have been eliminated on consolidation.

Description of Key Line Items in the Consolidated Statement

Total Operating Revenue

Our income is derived from the sales of our lithium-ion power battery products (including batteries for electric vehicles and energy storage system batteries) and electric power transmission and distribution equipment, and other business such as the sales of materials and technical services. Income from the sales of lithium-ion power battery products and electric power transmission and distribution equipment is recognized when the customer acquires control of the goods, and other income is recognized when we receive the consideration for the products or services we provide or obtain the evidence of receiving the consideration. See "*—Significant Accounting Policies—Revenue Recognition*."

The table below sets forth a breakdown of our operating revenue by product type for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in millions, except percentages)					
Lithium-ion power battery products	4,321	87.1	6,277	93.4	9,765	94.3
Electric power transmission and distribution equipment	500	10.1	344	5.1	458	4.4
Other business	138	2.8	103	1.5	133	1.3
Total	4,959	100.0	6,724	100.0	10,356	100.0

The table below sets forth a breakdown of our operating revenue by geographical region for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in millions, except percentages)					
Mainland China	4,937	99.6	6,566	97.7	9,828	94.9
Overseas (including Hong Kong, Macau and Taiwan)	22	0.4	159	2.3	528	5.1
Total	4,959	100.0	6,724	100.0	10,356	100.0

Total Operating Costs

Our total operating costs primarily consist of operating costs, taxes and surcharges, selling expenses, administrative expenses, R&D expenses and financial expenses.

Operating Costs

Our operating costs mainly consist of (i) raw materials, manufacturing cost and payroll in relation to lithium-ion power battery products and electric power transmission and distribution equipment, and (ii) cost related to other business. As our operating revenue increased, our operating costs generally increased in line from year to year. The table below sets forth our operating costs by nature for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in millions, except percentages)					
Raw materials	2,826	84.5	4,168	82.9	7,238	85.9
Manufacturing cost	261	7.8	595	11.8	849	10.1
Payroll	209	6.2	250	5.0	331	3.9
Cost related to other business	49	1.5	15	0.3	11	0.1
Total	**3,345**	**100.0**	**5,028**	**100.0**	**8,429**	**100.0**

The table below sets forth our operating costs by product type for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in millions, except percentages)					
Lithium-ion power battery products	2,879	86.1	4,725	94.0	8,019	95.1
Electric power transmission and distribution equipment	417	12.5	288	5.7	399	4.7
Cost related to other business	49	1.5	15	0.3	11	0.1
Total	**3,345**	**100.0**	**5,028**	**100.0**	**8,429**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents our operating revenue less operating costs. Our gross profit margin is calculated by dividing its gross profit by operating revenue. The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Gross profit	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*
	(RMB in millions, except percentages)					
Lithium-ion power battery products . . .	1,442	33.4	1.552	24.7	1,746	17.9
Electric power transmission and distribution equipment	83	16.6	56	16.2	59	13.0
Other business	89	64.4	89	86.0	121	91.4
Total	**1,613**	**32.5**	**1,696**	**25.2**	**1,927**	**18.6**

Taxes and Surcharges

Our taxes and surcharges include (i) real estate tax, (ii) land use tax, (iii) stamp tax, (iv) educational surcharge, and (v) urban maintenance and construction tax. In the years ended December 31, 2019, 2020 and 2021, our taxes and surcharges amounted to RMB38.1 million, RMB43.5 million, and RMB74.9 million, respectively.

Selling Expenses

Our selling expenses primarily include (i) warranty and after sale expenses, (ii) payroll, (iii) logistics and transportation charges, (iv) travelling expenses, and (v) business entertainment and promotion expenses. In the years ended December 31, 2019, 2020 and 2021, our selling expenses amounted to RMB333.9 million, RMB266.1 million, and RMB330.2 million, respectively.

The table below sets forth a breakdown of our selling expenses by nature for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in millions, except percentages)					
Warranty and after sale expenses	184	55.1	183	68.8	172	52.1
Payroll	53	15.9	49	18.4	78	23.6
Logistics and transportation charges	53	15.9	—	—	—	—
Travelling expenses	17	5.1	15	5.6	38	11.5
Business entertainment and promotion expenses	6	1.8	3	1.1	8	2.4
Office expenses	5	1.5	2	0.8	10	3.1
Depreciation and amortization expenses	5	1.5	3	1.1	12	3.6
Bidding expenses	4	1.2	3	1.1	2	0.6
Others	7	2.1	8	3.0	10	3.1
Total	**334**	**100.0**	**266**	**100.0**	**330**	**100.0**

Administrative Expenses

Our administrative expenses primarily include (i) payroll, (ii) depreciation and amortization expenses, (iii) office expenses, and (iv) agency expenses, (v) repairing expenses, (vi) business entertainment and promotion expenses, and (vii) travelling expenses. In the years ended December 31, 2019, 2020 and 2021, our administrative expenses amounted to RMB397.9 million, RMB397.8 million, and RMB569.4 million, respectively.

The table below sets forth a breakdown of our administrative expenses by nature for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in millions, except percentages)					
Payroll	204	51.3	208	52.3	268	47.1
Depreciation and amortization expenses	63	15.8	69	17.3	95	16.7
Office expenses	49	12.3	44	11.1	74	13.0
Agency expenses	34	8.5	23	5.8	11	1.9
Repairing expenses	15	3.8	14	3.5	8	1.4
Business entertainment and promotion expenses	11	2.8	12	3.0	13	2.3
Travelling expenses	10	2.5	6	1.5	10	1.8
Option fee	—	—	—	—	65	11.4
Others	12	3.0	22	5.5	25	4.4
Total	**398**	**100.0**	**398**	**100.0**	**569**	**100.0**

R&D Expenses

Our R&D expenses primarily include (i) payroll, (ii) research materials, (iii) depreciation and amortization expenses, (iv) cooperative development and patent fee, and (v) office expenses. In the years ended December 31, 2019, 2020 and 2021, our R&D expenses amounted to RMB437.3 million, RMB498.5 million, and RMB644.2 million, respectively.

The table below sets forth a breakdown of our R&D expenses by nature for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in millions, except percentages)					
Payroll	188	43.0	210	42.1	236	36.6
Research materials	134	30.7	119	23.8	231	35.9
Depreciation and amortization expenses	48	11.0	66	13.2	101	15.7
Cooperative development and patent fee	31	7.1	45	9.0	12	1.9
Office expenses	20	4.6	25	5.1	30	4.7
Testing fee	6	1.4	9	1.8	7	1.1
Travelling expenses	7	1.6	4	0.8	6	0.9
Others	3	0.7	21	4.2	21	3.2
Total	**437**	**100.0**	**499**	**100.0**	**644**	**100.0**

Financial Expenses

Our financial expenses represent expenses related to our financing activities, which include interest expenses, partially offset by our interest income. In the years ended December 31, 2019, 2020 and 2021, our financial expenses amounted to RMB290.9 million, RMB311.9 million, and RMB335.2 million, respectively.

The table below sets forth a breakdown of our financial expenses by nature for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in millions, except percentages)					
Interest expenses	373	128.1	353	113.1	390	116.4
Less: Interest income	95	32.6	59	18.9	59	17.6
Add: Foreign exchange losses	6	2.1	11	3.5	0	—
Add: Service charge and others	7	2.4	7	2.3	5	1.4
Total	**291**	**100.0**	**312**	**100.0**	**335**	**100.0**

Other Income

Our other income primarily includes the government grants we received. In the years ended December 31, 2019, 2020 and 2021, our other income amounted to RMB509.5 million, RMB393.3 million, and RMB558.6 million, respectively.

Investment Income

Our investment income primarily includes (i) the long-term equity investment gains based on equity method, which is attributable to the financial performance of these associated enterprises, (ii) the investment income from disposal of long-term equity investment, and (iii) the investment income from disposal of held-for-trading financial assets. In the year ended December 31, 2019, we recorded an investment loss of RMB24.4 million, and in the years ended December 31, 2020 and 2021, we recorded investment income of RMB61.0 million and RMB14.5 million, respectively.

Credit Impairment Losses

We recorded certain losses arising from credit impairment. In the years ended December 31, 2019, 2020 and 2021, our credit impairment losses amounted to RMB220.3 million, RMB335.9 million, and RMB343.3 million, respectively, respectively.

Impairment Losses of Assets

We recorded certain losses from the impairment of inventory and long-term equity investment. In the years ended December 31, 2019, 2020 and 2021, our losses from the impairment of assets amounted to RMB323.4 million, RMB134.8 million, and RMB197.7 million, respectively.

Asset Disposal Income

We recorded income from disposal of obsolete equipment. In the years ended December 31, 2019, 2020 and 2021, our income from disposal of fixed assets amounted to RMB2.0 million, RMB5.2 million, and RMB34.4 million, respectively.

Non-Operating Income

Our non-operating income represents (i) government subsidies that are unrelated to our day-to-day business activities, (ii) fines and confiscations in relation to our business operations, which were compensations paid by our machine vendors for poor performance of equipment and were one-off in nature, and (iii) payment that were unable to be made. In the years ended December 31, 2019, 2020 and 2021, our non-operating income amounted to RMB5.6 million, RMB9.7 million, and RMB16.9 million, respectively.

Non-Operating Expenses

Our non-operating expenses mainly represent (i) our donation expenses in relation to the COVID-19 pandemic and (ii) compensation expenditures. In the years ended December 31, 2019, 2020 and 2021, our non-operating expenses amounted to RMB12.6 million, RMB10.9 million, and RMB8.3 million, respectively.

Results of Operations

The table below sets forth our results of operations for the periods indicated:

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
Total operating revenue	**4,959**	**6,724**	**10,356**
Operating revenue	4,959	6,724	10,356
Total operating costs	**4,843**	**6,546**	**10,383**
Operating costs	3,345	5,028	8,429
Taxes and surcharges	38	43	75
Selling expenses	334	266	330
Administrative expenses	398	398	569
R&D expenses	437	499	644
Financial expenses	291	312	335
Including: Interest expense	373	353	390
Interest income	(95)	(59)	(59)
Add: Other income	510	393	559
Investment income	(24)	61	15
Income from investment in associates and joint ventures	(24)	(6)	28
Gains from the changes in fair value	—	0	(0)
Credit impairment losses	(220)	(336)	(343)
Impairment losses of assets	(323)	(135)	(198)
Asset disposal income	2	5	34
Operating profit	**59**	**168**	**39**
Add: Non-operating income	6	10	17
Less: Non-operating expenses	13	11	8
Total profits	**52**	**166**	**48**
Income tax expense	4	20	(29)
Net profit	**48**	**147**	**77**

Results of Operations in 2021 Compared with 2020

The following discussion compares our consolidated results of operations in 2021 with 2020.

Operating Revenue

Our operating revenue increased by RMB3,631.9 million, or 54.0%, from RMB6,724.2 million in 2020 to RMB10,356.1 million in 2021. The increase was mainly due to strong market demand resulting in increased sales.

Our operating revenue from sales of lithium-ion battery products increased by RMB3,488.0 million, or 55.6%, from RMB6,277.2 million in 2020 to RMB9,765.1 million in 2021. The increase was mainly due to our increased sales of batteries for electric vehicles and energy storage systems. Our operating revenue from sales of electric power transmission and distribution equipment increased by RMB114.8 million, or 33.4%, from RMB343.5 million in 2020 to RMB458.3 million in 2021. The increase was attributable to the strong market growth.

The operating revenue we recorded in relation to other business increased by RMB29.0 million, or 29.1%, from RMB103.5 million in 2020 to RMB132.6 million in 2021. The increase was mainly due to the increase in sales of materials, rental income and the technical service fees in 2021.

Our operating revenue generated from our business operations in mainland China increased by RMB3,262.8 million, or 49.7%, from RMB6,565.6 million in 2020 to RMB9,828.4 million in 2021. The increase was primarily due to the expansion of NEV market in mainland China.

Our operating revenue generated from overseas markets increased by RMB369.0 million, or 232.6%, from RMB158.7 million in 2020 to RMB527.7 million in 2021. The increase was primarily due to our efforts in establishing our footprints in overseas markets.

Total Operating Costs

Our total operating costs increased by RMB3,837.5 million, or 58.6%, from RMB6,545.8 million in 2020 to RMB10,383.3 million in 2021.

Operating Costs

Our operating costs increased by RMB3,401.3 million, or 67.6%, from RMB5,027.9 million in 2020 to RMB8,429.2 million in 2021. The increase was generally in line with our increased operating revenue.

In particular, the operating costs in relation to our lithium-ion power battery products increased by RMB3,293.6 million, or 69.7%, from RMB4,725.5 million in 2020 to RMB8,019.0 million in 2021. The increase was mainly due to the increase in sales of batteries for electric vehicles and the cost of raw materials. The operating costs in relation to electric power transmission and distribution equipment increased by RMB110.9 million, or 38.5%, from RMB287.9 million in 2020 to RMB398.8 million in 2021. The increase was mainly due to the increase in production volume. Our cost related to other business decreased by RMB3.2 million, or 21.7%, from RMB14.5 million in 2020 to RMB11.4 million in 2021. The decrease was mainly due to the increasing economies of scale as a result of an increase in production volume.

Gross Profit and Gross Profit Margin

Our gross profit margin decreased by 26.2% from 25.2% in 2020 to 18.6% in 2021. The decrease in our gross profit margin was primarily due to the decrease in gross profit margins of our lithium-ion power battery products and electric power transmission and distribution equipment, partially offset by an increase in gross profit margin of our other business. In particular:

- The decrease in the gross profit margin of our lithium-ion power battery products was mainly due to an increase in the purchase costs of raw materials.

- The decrease in the gross profit margin of our electric power transmission and distribution equipment was mainly attributable to the pricing competition in the market.

- The increase in the gross profit margin of our other business was mainly due to a change in composition.

Taxes and Surcharges

Our taxes and surcharges increased by RMB31.4 million, or 72.2%, from RMB43.5 million in 2020 to RMB74.9 million in 2021. The increase was generally in line with the increase in operating revenue. To expand our production capacity and business operations, we constructed more manufacturing facilities, which resulted in the increase of real estate tax and land use tax.

Selling Expenses

Our selling expenses increased by RMB64.1 million, or 24.1%, from RMB266.1 million in 2020 to RMB330.2 million in 2021. The increase was mainly due to the expansion of our business operations and the increase in operating revenue.

Administrative Expenses

Our administrative expenses increased by RMB171.6 million, or 43.1%, from RMB397.8 million in 2020 to RMB569.4 million in 2021. The increase was mainly due to an increase in payroll and other fixed components, such as office expenses, as a result of an increase in the number of administrative personnel.

R&D Expenses

Our R&D expenses increased by RMB145.7 million, or 29.2%, from RMB498.5 million in 2020 to RMB644.2 million in 2021. The increase was mainly due to (i) the increase in R&D activities with regard to products and materials, and (ii) the increase in R&D personnel. Such increase was also generally in line with the expansion of our product portfolio and our expansion plans in relation to our production capacity.

Financial Expenses

Our financial expenses increased by RMB23.3 million, or 7.5%, from RMB311.9 million in 2020 to RMB335.2 million in 2021. The increase was mainly due to our business expansion and the construction of additional production facilities, resulting in an increased borrowing to facilitate such growth.

Other Income

Our other income increased by RMB165.3 million, or 42.0%, from RMB393.3 million in 2020 to RMB558.6 million in 2021. The increase was mainly due to the increase in government subsidies in 2021.

Investment Income

Our investment income decreased by RMB46.5 million, or 76.2%, from RMB61.0 million in 2020 to RMB14.5 million in 2021. The decrease was mainly due to the decrease in disposal of other investment from a gain of RMB17.8 million in 2020 to a loss of RMB18.5 million in 2021, as a result of the difference between the consideration received and the book value of the relevant account receivables. Such decrease was partially offset by the investment income of associated enterprises accounted for under the equity method in the amount of RMB27.6 million in 2021.

Gains from Changes in Fair Values

Our fair value gains decreased by RMB0.6 million, or 142.3%, from fair value gains of RMB0.4 million in 2020 to fair value loss of RMB0.2 million in 2021. The decrease was mainly due to a decrease in the fair values of held-for-trading financial assets in 2021.

Credit Impairment Losses

Our credit impairment losses increased by RMB7.4 million, or 2.2%, from RMB335.9 million in 2020 to RMB343.3 million in 2021. The increase was primarily due to (i) the increase in credit impairment losses of account receivable from RMB317.6 million in 2020 to RMB361.0 million in 2021, and (ii) the provision of RMB15.2 million for the impairment provision of non-current assets due within one year in 2021.

Impairment Losses of Assets

Our impairment losses of assets increased by RMB62.9 million, or 46.7%, from RMB134.8 million in 2020 to RMB197.7 million in 2021. The increase was mainly due to an increase in the losses on inventory devaluation from RMB134.8 million in 2020 to RMB164.3 million in 2021.

Assets Disposal Income

Our income from disposal of assets increased by RMB29.2 million, or 561.5%, from RMB5.2 million in 2020 to RMB34.4 million in 2021. The increase was mainly due to an increase in the income from disposal of obsolete equipment.

Non-Operating Income

Our non-operating income increased by RMB7.2 million, or 74.2%, from RMB9.7 million in 2020 to RMB16.9 million in 2021. The increase was mainly due to an increase in fines and confiscations in relation to our business operations from RMB4.7 million in 2020 to RMB13.2 million in 2021, which were compensations paid by our machine vendors for poor performance of equipment and were one-off in nature.

Non-Operating Expenses

Our non-operating expenses decreased by RMB2.6 million, or 23.9%, from RMB10.9 million in 2020 to RMB8.3 million in 2021. The decrease was mainly due to (i) a decrease in compensation expenditures from RMB2.0 million in 2020 to RMB0.2 million in 2021, and (ii) a decrease in donation expenses from RMB8.2 million in 2020 to RMB6.8 million in 2021.

Income Tax Expenses

Our income tax expenses decreased by RMB48.6 million, or 249.2%, from RMB19.5 million in 2020 to RMB-29.1 million in 2021. The decrease was mainly due to (i) a decrease in the total profits in 2021 and tax benefits arising from the increased investments in R&D in 2021; and (ii) an increase in the weighted pre-tax deduction of R&D expenses benefiting from the favorable tax policy in 2021.

Results of Operations in 2020 compared with 2019

The following discussion compares our consolidated results of operations in 2020 with 2019.

Operating Revenue

Our operating revenue increased by RMB1,765.3 million, or 35.6%, from RMB4,958.9 million in 2019 to RMB6,724.2 million in 2020. The increase was mainly due to strong market demand resulting in increased sales.

Our operating revenue from the sales of lithium-ion power battery products increased by RMB1,906.2 million, or 44.1%, from RMB4,321.0 million in 2019 to RMB6,227.2 million in 2020. The increase was mainly due to our increased sales of batteries for electric vehicles and energy storage systems. Our operating revenue from electric power transmission and distribution equipment decreased by RMB156.3 million, or 31.3%, from RMB499.8 million in 2019 to RMB343.5 million in 2020. The decrease was mainly due to the decrease in sales of the equipment as impacted by the outbreak of COVID-19 pandemic in 2020.

Our income from other business decreased by RMB34.5 million, or 25.4%, from RMB138.1 million in 2019 to RMB103.6 million in 2020. The decrease was mainly due to the decrease in sales as impacted by the outbreak of COVID-19 pandemic in 2020.

Our operating revenue generated from our business operations in mainland China increased by RMB1,628.8 million, or 33.0%, from RMB4,936.8 million in 2019 to RMB6,565.6 million in 2020. The increase was primarily due to the strong market demand and increased sales driven by the expansion of NEV market in mainland China.

Our operating revenue generated from overseas markets increased by RMB136.5 million, or 616.2%, from RMB22.1 million in 2019 to RMB158.7 million in 2020. The increase was primarily due to our efforts in establishing our footprints in overseas markets.

Total Operating Costs

Our total operating costs increased by RMB1,702.3 million, or 35.1%, from RMB4,843.5 million in 2019 to RMB6,545.8 million in 2020.

Operating Costs

Our operating costs increased by RMB1,682.4 million, or 50.3%, from RMB3,345.5 million in 2019 to RMB5,027.9 million in 2020. The increase was generally in line with our increased operating revenue and was mainly attributable to the increase in purchase costs of raw materials of RMB1,341.9 million and manufacturing costs of RMB333.8 million. The increase in manufacturing cost was mainly due to an increase in the purchase of machinery and equipment to expand our production capacity.

In particular, the operating costs in relation to lithium-ion power battery products increased by RMB1,846.3 million, or 64.1%, from RMB2,879.2 million in 2019 to RMB4,725.5 million in 2020. The increase was mainly due to an increase in sales of batteries for electric vehicles and energy storage systems. The operating costs in relation to electric power transmission and distribution equipment decreased by RMB129.2 million, or 31.0%, primarily due to the decrease in the sales of electric power transmission and distribution equipment in 2020. The operating costs in relation to other business decreased by RMB34.6 million, or 69.4%, from RMB49.1 million in 2019 to RMB14.5 million in 2020. The decrease was mainly due to the decrease in the sales related to other business.

Gross Profit and Gross Profit Margin

Our gross profit margin decreased by 22.5% from 32.5% in 2019 to 25.2% in 2020. The decrease in our gross profit margin was primarily due to the decrease in gross profit margins of our lithium-ion power battery products and electric power transmission and distribution equipment, partially offset by an increase in gross profit margin of our other business. In particular:

- The decrease in the gross profit margin of our lithium-ion power battery products was mainly due to (i) an increase in the purchase costs of raw materials, (ii) an increase in payroll and manufacturing costs and (iii) the pricing competition in the market.

- The decrease in the gross profit margin of our electric power transmission and distribution equipment was mainly due to (i) an increase in the purchase costs of raw materials, (ii) an increase in payroll and manufacturing costs and (iii) the pricing competition in the market.

- The increase in the gross profit margin of our other business was mainly due to a change in composition in this segment.

Taxes and Surcharges

Our taxes and surcharges increased by RMB5.4 million, or 14.2%, from RMB38.1 million in 2019 to RMB43.5 million in 2020. The increase was mainly due to our increased operating revenue. To expand our production capacity and business, we constructed more production facilities, which resulted in the increase of real estate tax and land use tax.

Selling Expenses

Our selling expenses decreased by RMB67.8 million, or 20.3%, from RMB333.9 million in 2019 to RMB266.1 million in 2020. The decrease was mainly due to the reclassification of logistics and transportation charges to operating costs in 2020.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB397.9 million in 2019 and 2020.

R&D Expenses

Our R&D expenses increased by RMB61.2 million, or 14.0%, from RMB437.3 million in 2019 to RMB498.5 million in 2020. The increase was mainly due to (i) the increase in R&D activities in products and materials, and (ii) the increase in R&D personnel. Such increase was generally in line with our increased operating revenue and expansion in our production capacity.

Financial Expenses

Our financial expenses increased by RMB21.0 million, or 7.2%, from RMB290.9 million in 2019 to RMB311.9 million in 2020. The increase was mainly due to our business expansion and increased borrowing to facilitate such growth.

Other Income

Our other income decreased by RMB116.2 million, or 22.8%, from RMB509.5 million in 2019 to RMB393.3 million in 2020. The decrease was mainly due to a decrease of RMB116.2 million in government subsidies from RMB509.5 million in 2019 to RMB393.3 million in 2020.

Investment Income

Our investment income increased by RMB85.4 million, or 350%, from RMB-24.4 million in 2019 to investment income of RMB61.0 million in 2020. The increase was mainly due to (i) an increase of RMB44.5 million in the income from disposal of long-term equity investment in 2020, (ii) an increase of RMB4.8 million in the income from disposal of held-for-trading financial assets in 2020, and (iii) an increase of RMB17.8 million in the income from disposal of other investment.

Gains from the Changes in Fair Value

Our fair value gains were RMB0.4 million in 2020. We did not record any fair value gains in 2019.

Credit Impairment Losses

Our credit impairment losses increased by RMB115.6 million, or 52.5%, from RMB220.3 million in 2019 to RMB335.9 million in 2020. The increase was primarily due to an increase of RMB142.8 million in credit impairment losses of account receivables from RMB174.7 million in 2019 to RMB317.6 million in 2020, which was attributable to (i) increased in revenue, (2) COVID-19 impact on our customers.

Impairment Losses of Assets

Our impairment losses of assets decreased by RMB188.6 million, or 58.3%, from RMB323.4 million in 2019 to RMB134.8 million in 2020. The decrease was mainly due to the decrease in the losses on inventory devaluation from RMB323.4 million in 2019 to RMB134.8 million in 2020, as a result of the required impairment test on inventory asset.

Asset Disposal Income

Our income from disposal of assets increased by RMB3.2 million, or 160%, from RMB2.0 million in 2019 to RMB5.2 million in 2020. The increase was mainly due to an increase in the income from disposal of obsolete equipment.

Non-Operating Income

Our non-operating income increased by RMB4.1 million, or 73.2%, from RMB5.6 million in 2019 to RMB9.7 million in 2020, which was mainly due to an increase in the write-off of payables, partially offset by a decrease in government subsidies that are unrelated to our day-to-day business activities.

Non-Operating Expenses

Our non-operating expenses decreased by RMB1.7 million, or 13.5%, from RMB12.6 million in 2019 to RMB10.9 million in 2020. The decrease was mainly due to a decrease in the compensation expenditures from RMB9.9 million in 2019 to RMB2.0 million in 2020, partially offset by an increase in donation from RMB1.9 million in 2019 to RMB8.2 million in 2020.

Income Tax Expenses

Our income tax expenses increased by RMB15.9 million, or 441.7%, from RMB3.6 million in 2019 to RMB19.5 million in 2020. The increase was mainly due to an increase in the total profits from 2019 to 2020.

Liquidity and Capital Resources

Our principal source of liquidity has been and is expected to continue to be cash generated from operations together with available credit facilities and financing activities. Our liquidity requirements primarily relate to funding our working capital requirements and our capital expenditures. Our ability to generate cash flow from operations depends on our future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond our control. See "*Risk Factors*" for a discussion of certain factors that could affect our operations.

Cash Flows

The table below sets forth selected cash flow statement information from our consolidated cash flow statements for the periods indicated:

	Year ended December 31,		
	2019	2020	2021
	(RMB in millions)		
Net cash flows generated from operating activities	(683)	685	1,058
Net cash flows generated from investing activities	(2,062)	(2,243)	(4,185)
Net cash flows generated from financing activities	3,080	1,334	10,132
Effects from change of exchange rate to cash and cash equivalents	(4)	(17)	(3)
Net increase/(decrease) in cash and cash equivalents	331	(241)	7,002
Add: Cash and cash equivalents at the beginning of the period	2,347	2,678	2,437
Cash and cash equivalents at the end of the period	**2,678**	**2,437**	**9,439**

Net Cash Flows Generated from Operating Activities

Our net cash flows generated from operating activities increased by RMB373.2 million, or 54.5%, from RMB685.0 million in 2020 to RMB1,058.2 million in 2021. The increase was primarily attributable to (i) the increase of RMB3,388.2 million, or 86.2%, in cash receipts from the sale of goods and the rendering of services from RMB3,929.5 million in 2020 to RMB7,317.7 million in 2021, (ii) the increase of RMB214.3 million, or 59.3%, in other receipts relating to operating activities from RMB361.3 million in 2020 to RMB575.6 million in 2021, and (iii) the increase of RMB85.3 million, or 57.6%, in receipts of tax refunds from RMB147.9 million in 2020 to RMB233.2 million in 2021, partially offset by (i) the increase of RMB2,743.7 million, or 106.0%, in cash payments for goods purchased and services received from RMB2,587.2 million in 2020 to RMB5,330.9 million in 2021, (ii) the increase of RMB228.0 million, or 32.2%, in cash payments to and on behalf of employees from RMB708.9 million in 2020 to RMB936.9 million in 2021, and (iii) the increase of RMB328.0 million, or 122.8%, in other cash payments relating to operating activities from RMB267.2 million in 2020 to RMB595.2 million in 2021.

Our net cash flows generated from operating activities increased by RMB1,368.2 million, or 200.3%, from RMB-683.2 million in 2019 to net cash flow of RMB685.0 million in 2020. The increase was primarily attributable to (i) the decrease of RMB1,967.4 million, or 43.2%, in cash payments for goods purchased and services received from RMB4,554.5 million in 2019 to RMB2,587.2 million in 2020, (ii) the increase of RMB147.9 million, or 100%, in receipts of tax refunds, and (iii) the decrease of RMB242.8 million, or 47.6%, in other cash payments relating to operating activities from RMB510.0 million in 2019 to RMB267.2 million in 2020, partially offset by the decrease of RMB1,119.4 million, or 22.2%, in cash receipts from the sales of goods and the rendering of services from RMB5,048.9 million in 2019 to RMB3,929.5 million in 2020.

Net Cash Flows Generated from Investing Activities

Our net cash flows generated from investing activities decreased by RMB1,942.3 million, or 86.6%, from RMB-2,242.9 million in 2020 to RMB-4,185.2 million in 2021. The increase was primarily attributable to (i) the increase of RMB2,355.6 million, or 112.5%, in cash payments to acquire or construct fixed assets, intangible assets and other long-term assets from RMB2,094.1 million in 2020 to RMB4,449.7 million in 2021, (ii) the decrease of RMB80.5 million, or 99.6%, in other cash receipts relating to investing activities from RMB80.8 million in 2020 to RMB0.3 million in 2021, and (iii) the decrease of RMB21.8 million, or 96.3%, in cash receipts from investment income from RMB22.6 million in 2020 to RMB0.8 million in 2021, partially offset by (i) the decrease of RMB309.3 million, or 30.2%, in cash payments to acquire investments from RMB1,022.5 million in 2020 to RMB713.2 million in 2021, (ii) the increase of RMB188.9 million, or 24.6%, in cash receipts from disposal and recovery of investments from RMB769.1 million in 2020 to RMB958.0 million in 2021, and (iii) the increase of RMB12.9 million, or 100%, in net cash receipts from disposals of subsidiaries and other business entities from nil in 2020 to RMB12.9 million in 2021.

Our net cash flows generated from investing activities decreased by RMB180.5 million, or 8.8%, from RMB-2,062.4 million in 2019 to RMB-2,242.9 million in 2020. The increase was primarily attributable to (i) the increase of RMB849.5 million, or 491.0%, in cash payments to acquire investments from RMB173.0 million in 2019 to RMB1,022.5 million in 2020, and (ii) the increase of RMB123.7 million, or 6.3%, in cash payments to acquire or construct fixed assets, intangible assets and other long-term assets from RMB1,970.4 million in 2019 to RMB2,094.1 million in 2020, partially offset by (i) the increase of RMB759.4 million, or 7,865.6%, in cash receipts from disposal and recovery of investments from RMB9.7 million in 2019 to RMB769.1 million in 2020, (ii) the decrease of RMB40.0 million, or 100.0%, in other cash payments relating to investing activities from RMB40.0 million in 2019 to nil in 2020, and (iii) the increase of RMB20.6 million, or 1,005.4%, in cash receipts from investment income from RMB2.0 million in 2019 to RMB22.6 million in 2020.

Net Cash Flows Generated from Financing Activities

Our net cash flows generated from financing activities increased by RMB8,797.7 million, or 659.6%, from RMB1,333.8 million in 2020 to RMB10,131.5 million in 2021. The increase was primarily attributable to (i) the increase of RMB7,654.5 million, or 36,449.8%, in cash receipts from capital contributions from RMB21.0 million in 2020 to RMB7,675.5 million in 2021 as a result of our financing activities by our Company and one of our subsidiaries by way of private placement in 2021, and (ii) the increase of RMB2,533.2 million, or 39.8%, in cash receipts from borrowings from RMB6,357.3 million in 2020 to RMB8,890.5 million in 2021, partially offset by (i) the increase of RMB544.4 million, or 146.0%, in other cash payments relating to financing activities from RMB373.0 million in 2020 to RMB917.4 million in 2021, (ii) the decrease of RMB456.5 million, or 94.3%, in other cash receipts relating to financing activities from RMB484.1 million in 2020 to RMB27.6 million in 2021, (iii) the increase of RMB249.7 million, or 5.2%, in cash repayments of borrowings from RMB4,823.4 million in 2020 to RMB5,073.0 million in 2021, and (iv) the increase of RMB139.4 million, or 42.0%, in cash payments for settlement of interest expenses from RMB332.2 million in 2020 to RMB471.7 million in 2021.

Our net cash flows generated from financing activities decreased by RMB1,746.1 million, or 56.7%, from RMB3,079.9 million in 2019 to RMB1,333.8 million in 2020. The decrease was primarily attributable to (i) the increase of RMB2,586.3 million, or 115.6%, in cash repayments of borrowings from RMB2,237.1 million in 2019 to RMB4,823.4 million in 2020, (ii) the decrease of RMB139.0 million, or 86.9%, in cash receipts from capital contributions from RMB160.0 million in 2019 (as a result of the private placement issued by one of our subsidiaries) to RMB21.0 million in 2020, partially offset by (i) the increase of RMB460.0 million, or 7.8%, in cash receipts from borrowings from RMB5,897.3 million in 2019 to RMB6,357.3 million in 2020, (ii) the increase of RMB404.0 million, or 504.2%, in other cash receipts relating to financing activities from RMB80.1 million in 2019 to RMB484.1 million in 2020, and (iii) the decrease of RMB158.9 million, or 32.4%, in cash payments for distribution of dividends or profits or settlement of interest expenses from RMB491.1 million in 2019 to RMB332.2 million in 2020.

Discussion of Key Balance Sheet Items

Inventories

Our inventories primarily consisted of raw material, work in progress, stock goods and goods dispatched. We had an inventory balance of RMB3,958.8 million, RMB3,220.3 million, and RMB4,488.5 million after deducting the provision for impairment, as of December 31, 2019, 2020 and 2021, respectively. The table below sets forth the breakdown of our inventories as of the date indicated:

	As of December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except percentages)					
Raw materials	265	6.7	261	8.1	919	20.5
Work in progress	246	6.2	245	10.7	519	11.6
Stock goods	1,622	41.0	1,485	46.1	1,535	34.2
Revolving materials	1	0.0	1	0.0	1	0.0
Goods dispatched	1,825	46.1	1,128	35.0	1,514	33.7
Total	**3,959**	**100.0**	**3,220**	**100.0**	**4,488**	**100.0**

Our inventories decreased from RMB3,958.8 million as of December 31, 2019 to RMB3,220.3 million as of December 31, 2020, primarily due to (i) the increased production volume, which reduced the inventory level of raw materials and work in progress, and (ii) the increased sales of our products, which reduced the inventory level of stock goods, revolving materials and goods dispatched. Our inventories subsequently increased to RMB4,488.5 million as of December 31, 2021, primarily due to an increase in raw materials and work in progress to accommodate for a ramp up in production.

Account Receivables

Our account receivables mainly consist of the payments for our products from customers. We had balance of account receivables of RMB5,606.6 million, RMB6,587.4 million, and RMB6,719.4 million after deducting the provision for credit losses, as of December 31, 2019, 2020 and 2021.

The increase in account receivables was in line with the growth in sales of our products.

Account Payables

Our account payables primarily represent material costs and expenses payable to our suppliers. Our account payables are non-interest-bearing and are generally settled between 90 and 180 days.

Our account payables decreased from RMB4,340.8 million as of December 31, 2019 to RMB4,016.8 million as of December 31, 2020, primarily due to a decrease in our payables for raw materials, partially offset by an increase in payables for equipment. Our account payables subsequently increased from RMB4,016.8 million as of December 31, 2020 to RMB5,405.7 million as of December 31, 2021, primarily due to an increase in our payables for both raw materials and equipment.

Contract Liabilities

Our contract liabilities represent the advance payments from our customers while the underlying goods or services are yet to be provided, or advance rental payments. Our contract liabilities increased from nil as of December 31, 2019 to RMB123.4 million as of December 31, 2020, and further increased significantly to RMB561.2 million as of December 31, 2021, primarily due to (i) the reclassification of advance payments to contract liabilities, and (ii) the increased sales of our products, resulting in more advance payment from our customers.

To further assess and improve our operational performance, we also evaluate turnover days of inventory, accounts receivables and accounts payables. The table below outlines these performance indicators in 2019, 2020 and 2021:

	Years ended December 31,		
	2019	2020	2021
Inventory turnover days[(1)]	340	261	167
Accounts receivable turnover days[(2)]	390	331	234
Accounts payable turnover days[(3)]	404	303	204

Notes:

(1) Calculated as (average balance of inventory/operating cost) times 365 days (in the case of 2019, 2020 and 2021).

(2) Calculated as (average balance of accounts receivable/operating revenue) times 365 days (in the case of 2019, 2020 and 2021).

(3) Calculated as (average balance of accounts payable/operating cost) times 365 days (in the case of 2019, 2020 and 2021).

Our inventory turnover days decreased from 340 days in 2019 to 261 days in 2020, and further decreased to 167 days in 2021. Such decrease was primarily attributable to increased production volume and improvement of product delivery efficiency.

Our accounts receivable turnover days decreased from 390 days in 2019 to 331 days in 2020, and further to 234 days in 2021. Such decrease reflected the optimization of business structure and our accounts receivable management procedures. We increased sales of battery products for passenger vehicles, which typically had shorter accounts receivable turnover days compared to commercial vehicles. In addition, we have proactively managed our credit control procedures in relation to existing and new customers, and have been continuously working on the collection of accounts receivable.

Our accounts payable turnover days decreased from 404 days in 2019 to 303 days in 2020, and further decreased to 204 days in 2021. Such decrease was primarily because we accelerated payments to some of our suppliers in order to maintain good relationships with them and procure raw materials in light of potential supply shortage.

Capital Expenditures

A key component of cash flows used in investing activities is capital expenditures. We calculate capital expenditures in properties and buildings, land use rights, and manufacturing equipment. In 2019, 2020 and 2021, capital expenditures accounted for 46.7%, 31.9% and 52.5% of operating revenue, respectively. Our increasing levels of capital expenditures during the relevant periods reflected our expansion investments to fuel and support our expected future growth. The table below outlines our capital expenditures for the periods indicated:

	Years ended December 31,		
	2019	**2020**	**2021**
	(RMB in millions, except for percentages)		
Properties and buildings	1,276	545	2,570
Land use rights	135	325	345
Manufacturing equipment and others	902	1,273	2,535
Total	**2,313**	**2,142**	**5,439**
Capital expenditures as% of operating revenue	46.7%	31.9%	52.5%

In 2019, 2020 and 2021, our capital expenditures were RMB2,313.4 million, RMB2,141.7 million and RMB5,438.8 million, mainly related to the construction of our production facilities and the purchase of machinery and equipment, so as to expand our production capacity. For details on our major capital expenditures, see "*Our Business—Raw Materials, Production and Quality Controls—Production Facilities.*"

Contractual Obligations, Commitments and Contingencies

Contractual Obligations

The table below summarizes our outstanding contractual obligations as of December 31, 2021:

	Payments due by period			
	Total	Less than 1 year	1 to 5 years	More than 5 years
Account payables	5,406	89.1%	10.9%	—
Notes payables	4,829	100%	—	—
Contract liabilities	561	100%	—	—

Contingencies

As of December 31, 2021, we were not subject to any material contingent liabilities.

Indebtedness

Our indebtedness mainly consists of bank borrowings and bonds. The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,		
	2019	2020	2021
		(RMB in millions)	
Bank borrowings	4,584	5,839	9,858
Bonds	2,466	996	499
Total Indebtedness	**7,050**	**6,834**	**10,357**

Bank Borrowings and Credit Lines

Our bank borrowings include pledge loans, mortgaged borrowings, guaranteed borrowings and credit borrowings. The table below sets forth our borrowings as of the dates indicated:

	As of December 31,		
	2019	2020	2021
		(RMB in millions)	
Current			
Pledge loans	345	–	100
Mortgaged borrowings	190	268	141
Guaranteed borrowings	2,875	2,903	5,159
Credit borrowings	450	80	51
Add: Unexpired interest of short-term borrowings	—	—	30
Subtotal	**3,861**	**3,251**	**5,480**

	As of December 31,		
	2019	2020	2021
		(RMB in millions)	
Non-current			
Pledge loans	180	51	–
Mortgaged borrowings	402	1,089	1,460
Guaranteed borrowings	373	1,734	3,852
Factoring loans	—	232	156
Add: Unexpired interest of long-term borrowings	—	—	4
Less: Long-term borrowings due within one year	(232)	(520)	(1,094)
Subtotal	**723**	**2,587**	**4,378**
Total	**4,584**	**5,839**	**9,858**

We had bank borrowings of RMB4,584.4 million, RMB5,838.5 million, and RMB9,858.3 million as of December 31, 2019, 2020 and 2021. Our bank borrowings mainly relate to project financing, and the terms are generally over three years.

As of December 31, 2021, certain of our bank borrowings were secured by (i) pledge over cash and bank balances, receivables and accounts receivable; (ii) mortgage of fixed assets and land use rights for project financing; and (iii) guarantee by cash and bank balances.

Credit Line Agreements

We entered into several credit line agreements with reputable financial institutions in the PRC to cover working capital requirements and to finance capital expenditures, such as Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China and China Development Bank.

Bonds

Our bonds issued include bonds payable. The table below sets forth details of our bonds payable as of the dates indicated:

	As of December 31,		
	2019	2020	2021
		(RMB in millions)	
Gotion Green Bond I(1)	497	498	499
Gotion Green Bond II(2)	497	498	—
Convertible bonds(3)	1,472	—	—
Total bonds payable	**2,466**	**996**	**499**

Notes:

(1) Gotion Green Bond I was issued on April 12, 2018 with a maturity of five years.

(2) Gotion Green Bond II was issued on November 14, 2018 with a maturity of five years.

(3) Convertible bonds were issued on December 17, 2019 with a maturity of six years.

As of December 31, 2021, the aggregate balance of our bonds payable is RMB499 million. The interest rates of our bonds payable range from 6.5% to 7.5% per annum.

Taxation

Our income tax expenses consist of current income tax expenses and deferred income tax expenses. Our subsidiaries in China are subject to EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the EIT Law. Pursuant to the EIT Law, our subsidiaries in China are generally subject to EIT at the statutory rate of 25%. Our PRC subsidiaries that qualify as High and New Technology Enterprises under the relevant EIT laws and regulations are entitled to a preferential enterprise income tax rate of 15% for three years. See note 2 of "IV. Taxation" in the Notes to the Annual Historical Financial Information to this Prospectus.

Off-Balance Sheet Arrangements

As of December 31, 2021, we did not have any outstanding off-balance sheet arrangements.

Financial Risk Management

We are exposed to various financial risks in the ordinary course of business, mainly including (i) credit risk, (ii) liquidity risk, and (iii) market risk. Our management is responsible for the formulation of risk management objectives and policies. The objective of our Company's risk management is to identify and analyze risk, minimizing the adverse impact of financial risks without excessive influence on our competitiveness and resilience. See note VIII "Risks Associated with Financial Instrument" in Notes for Financial Statement in 2021 to this Prospectus.

Credit Risks

Credit risk refers to the risk that one party of the financial instruments fails to perform its obligations and causes the financial losses of the other party. Credit risk is mainly related to notes receivables and accounts receivable.

Our bank deposits are mainly deposited in state-owned holding banks, large and medium-sized listed banks and other commercial banks with high credit. There is no significant credit risk and no significant loss caused by default.

As for notes receivables and accounts receivables, we mainly trade with dealers, according to company credit policy, and adopts the way of delivery after the payments finished. For some group purchase business, we only deal with the reputable group clients, and continuously monitor the balance of notes receivables and accounts receivables. As a result, there is no collateral required, and credit risk management concentrates on the clients. The balance of notes receivables and accounts receivables was insignificant as of December 31, 2021. We do not hold any collateral or other credit enhancement for the balance of accounts receivables.

Our other receivables are mainly saving deposits in relation to infringement dispute, deposits and petty cash, and employee business loan. We manage other receivables and continuously monitor the balance to ensure that our Company does not to face significant bad debt risks.

Liquidity Risk

Liquidity risk refers to the risk of capital shortage when enterprise performs its obligations related to financial liabilities. We use various financing methods such as bill clearing and bank loan to optimize the financing structure and maintain the balance between financing continuity and flexibility.

Market Risk

Market risk is the fair value of financial instrument or future cash flow fluctuates due to the fluctuation of market price, which includes interest rate risk and foreign exchange risk.

Interest rate risk refers to the fair value of financial instrument or future cash flow fluctuates due to the fluctuation of interest rate. Our Company faces the risk of market interest rate change, which is mainly related to the limit to our Company's borrowings.

Foreign exchange risk arises from fluctuation in exchange rate, relevant to the assets and liabilities in foreign currency. The less import and export business happened, the lower impact of exchange rate fluctuation on our operations.

Significant Accounting Policies

Revenue Recognition

Our Company has fulfilled its contractual performance obligation to recognize revenue when the customer acquires control of the relevant goods. On the beginning date of the contract, our Company evaluates the contract, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point. Then, our Company recognizes the revenue when the individual performance obligations are fulfilled.

For domestic sales, since the control of commodity sales is transferred to the customer when the company sends the commodity and the customer accepts it, our company recognizes the sales revenue after sending the commodity and the customer accepts it.

When the company sells abroad, the sales revenue is recognized after the goods are delivered, the export customs declaration formalities are completed, and the customs declaration documents are obtained.

As for service contract, after the corresponding service contents are completed according to the terms of the technical service contract and confirmed by the customer, the revenue is recognized when the price is received or the evidence of receiving the price is obtained.

See note III(24) in the Notes for Financial Statements in 2021 to this Prospectus.

Inventory

Inventories are classified as raw materials, revolving materials (including low-cost consumables), work in progress, stock commodities and goods dispatched. Dispatched materials and stock commodities are accounted for by using the weighted average method.

In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their estimated selling prices minus their estimated selling expenses and relevant taxes and surcharges.

In normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

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 the sales contracts are less than the quantities held by our Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

Provisions for stock obsolescence are made at the lower of costs or net realizable values on a single basis. For inventories with large quantity and relatively low unit prices, the provision for stock obsolescence shall be made on the ground of the categories of inventories.

See note III(10) in the Notes for Financial Information Statements in 2021 to this Prospectus.

Recent Developments

Dividends

In April 2022, our Board of Directors adopted a resolution to declare a cash dividend of RMB1.001322 (inclusive of tax) per ten A Shares with respect to 1,662,508,925 A Shares (which was calculated by excluding the number of repurchased A Shares from our total A Shares then outstanding) in connection with our distributable profits for the year of 2021, which was approved by our annual shareholders' general meeting for the year of 2021 on May 23, 2022. Such cash dividends were paid in June 2022.

Acquisitions

In 2022, Jiangxi Gotion New Energy Technology Co., Ltd., entered into an agreement with Yichun Kefeng New Material Co., Ltd., and its controlling shareholders, namely Pingxiang Sanxin Investment Control Co., Ltd., and Lu Wenjun (the actual controller of Pingxiang Sanxin Investment Control Co., Ltd.). Jiangxi Gotion New Energy Technology Co., Ltd. agreed to increase the capital of Yichun Kefeng New Material Co., Ltd. with additional capital injection of RMB600 million. Upon completion of the capital increase, Jiangxi Gotion New Energy Technology Co., Ltd. held 78.67% of the equity of Yichun Kefeng New Materials Co., Ltd. As of December 31, 2021, the consideration of RMB184 million was fully settled.

Discussion and Analysis of the Three Month Historical Financial Information

The information in respect of our recent business developments set forth below is extracted from the First Quarter Report from which contents have been adapted for inclusion in this Prospectus. The First Quarter Report was prepared and published on April 27, 2022 pursuant to the listing rules of the Shenzhen Stock Exchange. More details in respect of the Three Month Historical Financial Information extracted from the First Quarter Report are set forth from page I-1 to page I-10 of this Prospectus. Investors should be aware that the Three Month Historical Financial Information, which has been prepared based on the requirements of PRC GAAP, has not been audited or reviewed by Suya Jincheng CPA LLP or RSM China CPA LLP.

Our operating revenue increased by RMB2,624.3 million, or 203.1%, from RMB1,291.9 million in the three months ended March 31, 2021 to RMB3,916.2 million in the same period of 2022. The increase was mainly driven by strong market demand and significant increase in the sales volume of our lithium-ion power battery products. In particular, our operating revenue from the sales of lithium-ion power battery products increased by RMB2,347.2 million, or 209.6%, from RMB1,119.8 million in the three months ended March 31, 2021 to RMB3,467.0 million in the same period of 2022. Such growth was primarily supported by our scalable production capacity, where our production facilities laid a solid foundation for such growth and expansion.

Business Outlook

We expect our EV and ESS battery business to continually grow in 2022; we also intend to increase our designed production capacity beyond 100GWh by the end of 2022 and beyond 300GWh by the end of 2025.

Nevertheless, these forward-looking statements are not guarantees of future financial performance and our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under "*Forward—Looking Statements*" and "*Risk Factors*," respectively. Investors are strongly urged not to place undue reliance on any of the foregoing statements.

Generally, the information on the market and competitive environment presented below in this section is, unless indicated otherwise, taken or derived from the market study that was prepared for us by Frost & Sullivan as of June 2022. The report's objective was to determine the relevant markets for us, their size and growth prospects and to determine our competitive position in these markets. Certain statements below are based on our own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as "estimate" or "believe," and as such do not purport to cite or summarize any third-party or independent source and should not be read as such. The forward-looking statements in this section are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments that may be inaccurate.

Global and China New Energy Market Overview

The concept of carbon neutrality emerged as the world began to promote low-carbon transition to address climate change. Many countries around the world have announced the target of zero carbon dioxide emissions, and many of them have specified the time as well as measures to achieve the target, the major measures are adoption of new energy as well as electrification including NEVs, etc. China is aimed to reach carbon peak by 2030 and carbon neutrality by 2060. The European Parliament voted to approve a European Commission proposal to stop the sale of new-manufactured fuel vehicles in the EU from 2035 and the prohibition covers hybrid cars. Meanwhile, some European countries have clearly proposed a date of banning the sale of new petrol vehicles.

Under the trend of new energy revolution and global carbon neutrality, the transformation of vehicle powertrain has begun. From 2017 to 2021, the global sales volume of NEV increased from approximately 1,162 thousand units to approximately 6,311 thousand units, and is expected to reach approximately 24,185 thousand units in 2026 and approximately 46,200.0 thousand units in 2030. The expansion of the global NEV market has stimulated the market demand for EV batteries and global charging networks. The development of EV battery technologies has brought huge advantages to NEVs, including higher energy density, longer range, faster charging speed, etc. Meanwhile, the market demand for new energy coaches as well as new energy special vehicles is growing, the improvements of EV battery technology enable them to be used in more scenarios.

In the future, the demand for fossil fuels is expected to decline and the market share of clean energy such as electricity will increase. The development of energy storage system plays an important role in promoting the transformation of energy structure and realizing carbon neutrality. Currently, governments in over 20 countries have issued documents to encourage the clean energy power plant with energy storage system (ESS). As an important branch of energy storage technology, electrochemical energy storage plays an increasingly important role in the whole energy storage industry. In addition to power system, electrochemical energy storage can be applied in many other scenarios. For example, it serves as the backup power supply of communication base station, data centre, UPS to provide energy security stable electrical power. Energy storage battery is the core component of energy storage system, and Lithium-ion battery is the most widely used electrochemical energy storage technology due to its raw material cost, energy density, life cycle and other advantages. Promoted by the supporting policies as well as the increasing layout of clean energy power generation, the energy storage industry in many countries and regions has achieved a remarkable growth. The market of electrochemical energy storage as well as energy storage batteries will continue to expand.

Global and China EV Battery Market Overview

Key Features and Definition of EV Battery

The evolution of global and China electric vehicle battery market has long been driven by technological innovation. Advancements and breakthroughs in material science, product structure and intelligent manufacturing have been continuously enhancing battery effectiveness. EV battery companies worldwide are constantly fostering investment on R&D and aim for forward-thinking technical routes, promoting the rapid development of EV battery industry.

EV battery refers to a rechargeable electricity storage system used in electric vehicles to provide driving energy. As one of the most critical parts of NEVs, EV battery directly affects vehicle performance including driving range, safety, service life, charging time, etc. Battery cell is the energy unit composed of cathode, anode, electrolytes and separators. Cathode and anode work together to provide power by converting chemical energy into electrical energy. A battery module contains many battery cells in parallel and series that are shelled in the casing. Battery pack is a system integrating several auxiliary parts with multiple battery modules, and can be directly installed to the vehicles. LFP and ternary batteries are the mainstream of EV batteries, which differentiate against each other primarily in cathode materials. LFP batteries use lithium carbonate and iron phosphate as the cathode material, which are much more accessible in resources and with lower costs, higher safety and longer life, as compared with cathode materials of ternary batteries, while ternary batteries have higher energy density.

Value Chain Analysis

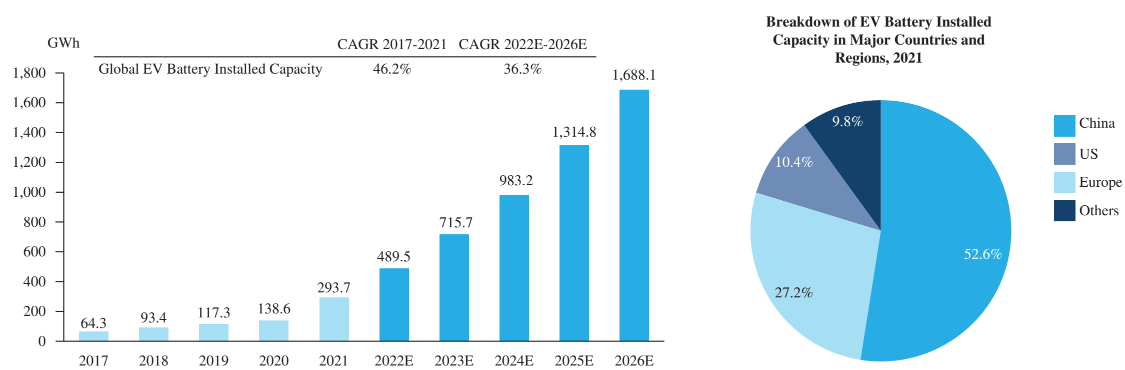
Major raw materials of EV battery include cathode and anode materials, electrolytes, separators, etc. EV battery manufacturers design and produce battery products according to customers' specific requirements, which could be delivered in forms of cells, battery modules and battery packs. In light of the importance of raw materials to battery products in terms of stability, energy density, safety as well as cost performances, leading EV battery manufacturers are constantly expanding their presences in the raw material sectors in forms of self-developing and operating relevant resources or entering into joint collaborations with raw material suppliers in the upstream, which is vital to enhance their sustainable business development and bargain power in the supply chain.

LFP and ternary batteries are the mainstream of EV batteries, which differentiates against each other primarily in cathode materials. Ternary batteries use nickel-cobalt-manganese, three transition metal oxides as the cathode material, which constitutes the largest cost element for this type of lithium battery with 35-40% of the total cost. LFP batteries use lithium carbonate and iron phosphate as the cathode material, which are much more accessible in resources and lower in costs, as compared with cathode materials of ternary batteries. LFP and ternary batteries are complementary in technologies and applications and the NEV OEMs would select the types of lithium batteries for their vehicle models based on the positioning, mileage range requirement, cost performances and other key specifications of different types of their vehicles. A well-established mechanism of raw material supply is a key success factor in the global EV battery industry, EV battery manufacturers who have a fully integrated raw material supply chain in both types of raw materials and depth in presences would effectively safeguard and significantly enhance their competitiveness in the market as the rapid industry demands proceed.

Global and China EV Battery Installed Capacity

The global NEV market has grown significantly in recent years. From 2017 to 2021, the global sales volume of NEV increased from approximately 1,162 thousand units to approximately 6,311 thousand units, with a CAGR of 52.7%, and the penetration rate of NEV in the global PV market increased from 1.6% to 10.0%. With the further acceptance of the environmental protection concept, NEV market will continue to expand in the global automotive market. Benefits from the rapid growth of global NEV market, the EV battery market also gained a tremendous growth with the installed capacity grew from 64.3 GWh in 2017 to 293.7 GWh in 2021 with a CAGR of 46.2%. It is expected that the global EV installed capacity would grow at a CAGR of 36.3% from 2022 to 2026 and reach 1,688.1 GWh in 2026. China is the largest EV battery market, accounting for approximately 52.6% of global EV battery market in 2021, followed by Europe and US, which accounted for approximately 27.2% and 10.4%, respectively.

Global EV Battery Installed Capacity, 2017-2026E

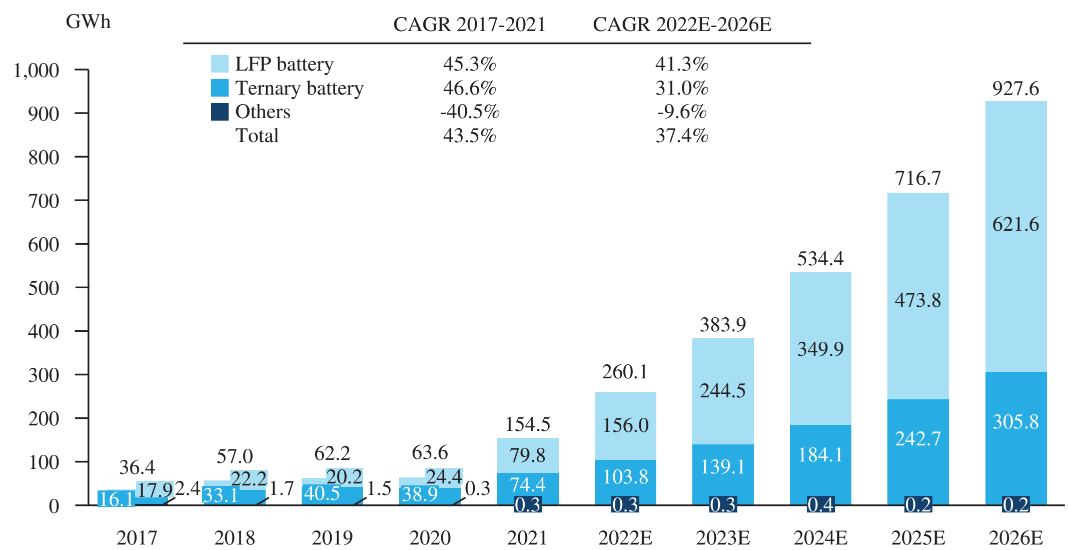


Source: Frost & Sullivan Report

In 2021, China was the world's largest NEV market with a sales volume of 3,334.1 thousand units, accounting for nearly half of the global NEV sales. Driven by the tremendous growth of the China NEV market, the EV battery installed capacity in China grew at a CAGR of 43.5% from 2017 to 2021 and reached 154.5 GWh in 2021. The vertical integration of leading players in EV battery market would further stimulate the development of the industry. Moving forward, the penetration rate of NEV in China is expected to surge from 22.4% in 2022 to 50.1% in 2026. With the rapid growing of NEV penetration rate, the sound industrial chain and effective pandemic control, China EV battery market is expected to keep growing. The battery installed capacity is expected to reach 927.6 GWh in 2026 with a CAGR of 37.4% from 2022 to 2026.

LFP battery and ternary battery dominate the EV battery market with a market share of over 99%. With the improvement on the safety and performance of LFP battery, the installed capacity of LFP battery in China exceeded that of ternary battery in 2021, reaching 79.8 GWh, accounting for more than 50% of total installed capacity. The installed capacity of LFP battery in China is expected to increase to 621.6 GWh in 2026, with a CAGR of 41.3% from 2022 to 2026. The installed capacity of ternary battery in China reached approximately 74.4 GWh in 2021. In the forecast period, the installed capacity of ternary battery is forecasted to reach 305.8 GWh in 2026 at a CAGR of 31.0% from 2022 to 2026.

China EV Battery Installed Capacity by Battery Type, 2017-2026E



Source: Frost & Sullivan Report

Note: From January to April 2022, the cumulative installed capacity of LFP battery accounted for 60%, based on such data and other comprehensive researches, Frost & Sullivan made future predictions on the data above.

Market Drivers of EV Battery Market

- *Rapid Development of NEV Market*

With the favorable policies of carbon neutrality and the aggravation of global environmental pollution, oil crisis and other problems, countries around the world attach great importance on the development of new energy vehicles with low pollution and independence on fossil fuel. NEVs, which are more environmentally friendly than ICVs, are becoming critical elements of the decarbonization strategy for governments and companies in the automotive industry. Policymakers at different levels of government including local and regional are incentivizing new energy vehicle deployment through a variety of policies, some of which involve direct financial assistance. Financial incentives such as tax credits, rebates, and reduced import tariffs help reduce the upfront cost of purchasing NEV. Major automakers have agreed to reduce or end ICV sales globally and laid out plans to shift towards new energy vehicles. A leading Chinese automaker announced to stop the production of fuel vehicles according to its strategic development needs. An American automaker headquartered in Detroit will stop producing vehicles that run on gasoline or diesel fuel over the next 14 years, replacing the fleet with all-electric cars, SUVs and light trucks.

Therefore, benefiting from policy stimulation and plans of major automakers, there has been an increasing NEV penetration across the world. Also, the global sales volume of NEVs has increased from approximately 1,162 thousand units in 2017 to approximately 6,311 thousand units in 2021, representing a CAGR of 52.7%. At the same time, China, as the world largest NEV market, the sales volume increased from 579 thousand units to 3,334.1 thousand units at a CAGR of 45.7%. Moving forward, the penetration rate of NEVs in China is expected to surge from 22.4% in 2022 to 50.1% in 2026. Meanwhile, with the improvement of intelligent connected and in-vehicle technologies, NEV has become a new living space for people, gathering increasing favor of customers. Along with relevantly low prices and the significantly improving environmental awareness of consumers, more consumers tend to choose NEVS as their first vehicle. The continuous development of new energy vehicle has brought tremendous demand of EV battery. The enhancement on the energy density of EV battery is critical to the development of the whole value chain. With the continuous improvement of battery technology, the driving range of electric vehicles will be largely increased and further effectively alleviate consumers' "mileage anxiety", thereby increasing consumers' acceptance of NEVs and bringing more demands for electric vehicles.

As the largest application sector of EV batteries, the rapid development of the NEV market has continuously brought huge demands and driven the development of global and China EV battery industry. Many automobile manufacturers around the world have put forward clear development goals as well as plans for new energy vehicles. For example, A leading European automaker announced that half of its sales are expected to be battery-electric vehicles by 2030 and almost 100% of its new vehicles in major markets should be zero-emission vehicles by 2040. BEV manufacturers aim to accelerate the global transition to sustainable energy. An American EV and energy company plans to sell 20 million electric vehicles per year and deploy 1,500 GWh of energy storage per year by 2030. The company is further investing in batteries and battery raw materials. It is also building new super factories around the world, and the production capacity of the built factories is also increasing.

- *Technology Upgrade*

The performance of EV batteries, such as life, safety, and cost depend on the selection and matching of material systems. In terms of improving energy density, the energy density of EV battery cells mainly depends on the breakthrough of the chemical system. It is necessary to continuously upgrade the anode and cathode material, electrolytes and separators to improve the energy density such as using high-nickel cathode and silicon-carbon anode.

EV battery system is closely linked with the vehicle design and will directly affect the driving performance. Battery innovations in structure including improvements in cell packaging, grouping and system integration can achieve cost reduction and quality enhancement, effectively hedging against inflation risk of raw material. EV battery manufacturers are gradually involved in the R&D of downstream through strategic partnership, alliance cooperation and investment. Carrying out technical researches and development together with automakers has become increasingly important for EV battery manufacturers. Leading players have been working with automakers in the emerging battery technical routes such as CTC, JTM and CTP. Collaborative iteration of upstream and downstream enterprises helps to better reduce costs and increase efficiency.

Manufacturing technology of single battery is the key to improve product consistency, the safety and life of the battery. In order to meet the needs of mixed production of batteries of different specifications, it has become an inevitable trend to build an automated and intelligent production logistics system and an intelligent manufacturing system. The implementation of intelligent manufacturing can ultimately reduce overall costs of manufacturing by improving material utilization and reducing labor cost.

As the important power source of electric vehicles, the performance of EV battery is not only related to the mileage of the vehicle, but also related to the safety and reliability. Driven by the continuous upgrade and innovation of battery technology, the NEV industry will usher a further growing potential.

- *Favorable Policy*

Governments around the world have successively introduced plans to stop or limit the development of traditional fuel vehicles and provided a series of subsidies and policy support for NEVs and EV batteries. On 12 December 2015, the Paris Agreement was adopted to limit global warming and achieve a climate neutral world by 2050. The Carbon Neutral Coalition is spearheading efforts to implement policies and incentives that support the process. The European Union has proposed what's effectively a ban on the sale of all new petrol and diesel cars from 2035, as part of a package of measures to dramatically reduce greenhouse gas emissions. The European Commission, the EU's executive branch, has proposed a 55% cut in vehicular CO2 emissions from current levels by 2030, rising to 100% by 2035. Some European countries have clearly proposed a date for banning the sale of new petrol vehicles. For example, Germany's Bundesrat federal council agreed to ban fossil fuel powered vehicles by 2030 in October 2016. According to the "National Blueprint for Lithium Batteries" which is developed by the Federal Consortium for Advanced Batteries (FCAB), transportation is one of the areas where transition to electric vehicles and will be of critical importance to achieve carbon neutrality. To establish a secure battery materials and technology supply chain, FCAB will support research, development, and demonstration from academic institutions, national laboratories, and industries into all aspects of the lithium-battery supply chain for commercial and defence applications. In the context of the European Green Deal, the European Commission published a proposal for a new EU batteries legislation. With the aim of paving the way for sustainable batteries, the new batteries framework is the next step in delivering on the European Strategic Action Plan on Batteries.

The PRC government has been providing both financial and non-financial incentives to promote the adoption of electric vehicles. In 2020, the Ministry of Industry and Information Technology issued the "Electric Vehicle Industry Development Plan (2021-2035)" (新能源汽车产业发展规划(2021-2035年)) which encourages to implement EV battery technology breakthrough projects, carry out researches on core technologies to develop EV batteries with high-strength, lightweight, high-safety, low-cost, and long-life, as well as speed up the R&D and industrialization of solid-state EV battery technology. Therefore, policy stimulation remains a strong support of the development of global and China EV battery market.

Development Trends of EV Battery Market

- *Increasing Penetration of LFP Battery*

With the improvement of comprehensive performance such as cost, technology and safety, the installed capacity of LFP battery in China has exceeded that of ternary battery in 2021, which has reached 79.8 GWh, accounting for more than 50% of total market. The continuously increasing energy density of LFP battery with the improvement of material technology and structural innovation, has further promoted the application of LFP battery. Moreover, fire incidents of new energy vehicles caused by the safety problem of ternary batteries makes automakers more willing to choose LFP batteries with better safety performance. Multiple factors have accelerated the demand for LFP battery. With the continuous upgrading and gradual maturity of LFP battery technology, the performance of LFP battery will be further improved. Application scenarios will be expanded to various model categories in the fields of power, energy storage, power tools, and electric two-wheel vehicles, and gradually penetrate into mid-to-high-end models. Looking forward, the installed capacity is expected to grow rapidly and account for over 67% in 2026.

- *Promising Innovations in Battery Technology*

Driven by higher requirements for battery life of new energy vehicles, players in the industry chain continuously leverage technology capabilities to supply products with high-capacity, high-rate, high-power, long-cycle life and high-charging efficiency.

High nickel-based lithium-ion batteries is currently one of key technologies used in NEVs because of the high energy density that nickel provides. Firstly, nickel plays a role in improving the energy density of materials in ternary materials and adding more nickel in the cathode is the key to improve battery specific capacity, energy density and driving range. At the same time, the demand for increasing driving range of high-end NEV models is promoting the development of high-nickel batteries. In terms of cost, increasing the percentage of nickel content and reducing the cobalt content are also necessary ways to reduce the overall cost of ternary materials. With the rising cobalt prices, the trend of high nickel has become clearer for the dual considerations of reducing costs and improving energy density. Various emerging carbonaceous anode materials have been researched and applied in the market including silicon-based, hard carbon, the combination of silicon and carbon, etc. Silicon-based anode materials have been proving potential advantages as the next generation of lithium-ion battery anode materials.

Solid-state batteries are an emerging option for next-generation traction batteries promising low cost, high performance and high safety. Solid-state batteries use solid electrolytes, replacing the electrolyte and separator of traditional lithium-ion batteries. Moreover, semi-solid batteries could be a compromise between liquid lithium-ion batteries and all-solid-state batteries. Certain progress in improving battery safety and energy density is expected to be made with the further R&D of solid-state batteries, providing a new direction for EV battery performance improvement.

Along with the increasing numbers of electric vehicles being developed, rapid innovations of the power batteries will also be made. Emerging materials that can be cheaply produced as well as have the advantages of improving product durability and lowering battery weight are the priorities for the industry.

- *Diversified Cooperation between Upstream and Downstream*

In order to consolidate and strengthen advantages, seize industry opportunities, and build diversified business coverage and product applications, EV battery manufacturers are continuing to seek in-depth cooperation between upstream and downstream, and deploy the entire industry chain ecological cycle. For upstream, EV battery manufacturers could better control resources by investing in material production companies, establishing joint ventures, or building their own material factories. For downstream, automakers develop together with power battery companies through investment or strategic cooperation. EV battery manufacturers with global R&D capabilities can cooperate with customers in various industries such as photovoltaic and energy storage around the world to establish R&D centers to improve battery technology. For automakers, cooperation with EV battery manufacturers will strengthen their own industrial advantages, enabling them to launch or upgrade products and seize market growth demand. Therefore, diversified cooperation between upstream and downstream will further promote the upgrading and development of the EV battery industry.

- *Battery Recycling*

With the increasing shipment of global EV lithium-ion batteries, battery recycling has gradually attracted attention and created excess value for battery manufacturers. As obsolete EV battery has become a significant source of raw materials for both EV battery and energy storage batteries, its manufacturers receive exclusive economic benefits from recycling resources unlimitedly and saving raw material cost. Moreover, an increasing number of original equipment manufacturers of EVs are signing recycling agreements with automobile enterprises to ensure the battery recycling amount and achieve steady profits. Therefore, the battery recycling business is gaining momentum for its manufacturers to build a closed-loop battery management system. Looking forward, the prevalence of after-market battery business including recycling will constantly drive the relevant market demand and clarify the subject of responsibility in the industry. Since solely leading enterprises capable of both physical and chemical battery disassembly will be on the whitelist of national government, manufacturers are attaching more importance to battery recycling in response to the policy requirements and enhancing their influence on the EV battery industry. Under such circumstances, the recycling industry of EV batteries will gradually develop towards standardization, centralization, and industrialization.

Entry Barrier of EV Battery Market

- *Technology and R&D Capabilities*

The EV battery industry is a technology-intensive industry, which requires a high-level competitive advantage through self-research and self-production of cells, modules, and battery packs. The development of EV battery takes deep-rooted technology accumulation, and the experience accumulated by pioneer enterprises in the process of the pilot operation of electric vehicles has significant guiding value for the entire production process, such as the selection of raw materials, the design and final production and of EV battery. Industry leaders can rely on such capabilities that cover the entire industry chain to complete a virtuous business cycle. Moreover, these leading companies focus on setting up R&D centres around the world to break through technical difficulties by pooling global talents for R&D activities. It is more difficult for new entrants to achieve breakthroughs in critical technologies through independent research and development, yet it takes longer to adapt available technologies to practical manufacturing, thus forming technical barrier.

- *Adequate Capital Investment*

Adequate capital investment plays a vital role in different stages of EV battery design and production. Before matching vehicle models and the commercialization of EV battery technology, EV battery manufacturers usually need a large amount of capital investment to set up R&D teams, purchase raw materials, conduct repeated tests, and collect and analyze a lot of data. In the later stage of R&D, the large-scale production and marketing of EV batteries also require large capital investment for the construction and expansion of production lines and product promotion. Due to the lack of capital, new entrants may show weak market competitiveness in the early stage of development, thus forming capital barriers.

- *Intelligent Scaling-manufacturing*

Intelligent scaling-manufacturing is an essential indication of competitiveness in the EV battery manufacturers. The development orientation of “high quality, high efficiency and high stability” and “informatization, digitization and visualization” has proposed the requirements of intelligent EV battery manufacturing. Currently, EV battery suppliers with a high level of intelligent manufacturing capability in the industry already possess long-term industry experience, data analysis and accumulation and customer foundation, and are able to accelerate the pace of intelligent manufacturing of EV batteries through technological innovation, production automation and management standardization, guiding self-produced battery products into the high-end market. However, due to multiple factors such as limited technology and fewer customer resources, new entrants of the industry struggle to apply intelligence to the operational aspects of EV battery production, which creates the intelligent scaling-manufacturing barrier.

- *High-calibre Talent*

High-calibre talent is the most valuable asset for the EV battery industry. Talents tend to concentrate in the head enterprises. Correspondingly, companies outperforming in the EV battery industry that with a full industry chain layout are more likely to attract diversified talents to empower the future sustainable development of the company. As for new entrants in the EV battery industry, it is relatively difficult to gather talents in different fields with high qualification in a short time, which creates the high-calibre talent barrier.

- *Resource Integration Capability*

The resource integration capability provides an important foundation for the sustainable development of the EV battery industry. Via vertical integration capabilities, enterprises that have achieved outstanding performance in the industry actively maintain long-term, mutually beneficial relationships with upstream raw material suppliers and strengthen business interactions with all parties through industry chain to reinforce pricing power for long-term growth in the industry. However, new entrants may lack the time advantage to build relationship networks and beneficial corporation, and thus lack competitiveness in resource integration.

- *Reputation and Brand Awareness*

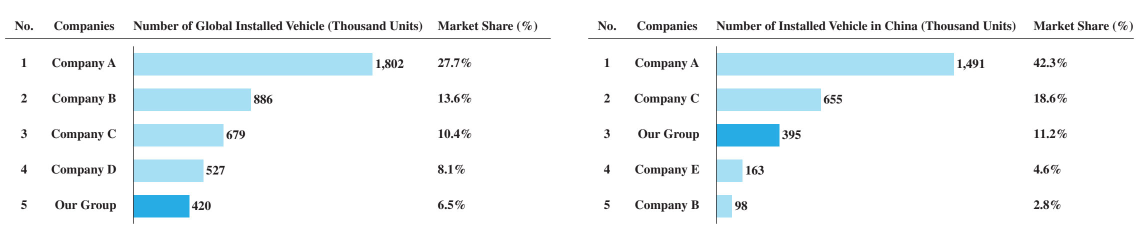
Reputation and brand awareness of EV battery companies is an important pillar of customer acquisition and customer relationship maintenance. The safety, stability, and consistency of lithium-ion battery products are the main basis for the selection of manufacturers by vehicle manufacturers. Customers are usually more willing to cooperate with EV battery manufacturer with good reputation and purchase products that are recognized and have advantages in design, quality, functionality. Moreover, vehicle manufacturers usually enter into long-term partnerships with EV battery manufacturers with a positive reputational track record, which reduces the switching costs and helps solidify the stickiness of the cooperation. However, reputation and brand awareness usually take a lengthy period to build. New entrants may lack the temporal advantage over existing market competitors, and the validation cycle is long, typically 2-3 years or more, thus suffering from the barriers of industry reputation and brand barrier.

Competitive Landscape

In 2021, our Group has recorded approximately 420 thousand units for EV battery installed vehicle, accounting for a market share of approximately 6.5%, and ranked 5th in the global EV battery market. The top 5 companies accounted for approximately 66.3% of the total number of global EV battery installed vehicle.

In 2021, our Group has recorded approximately 395 thousand units for EV battery installed vehicle in China, accounting for a market share of approximately 11.2%, and ranked 3rd in the China EV battery market. The top 5 companies accounted for approximately 79.5% of the total number of EV battery installed vehicle in China.

Top 5 Companies in Global and China EV Battery Market by Number of Installed Vehicle, 2021

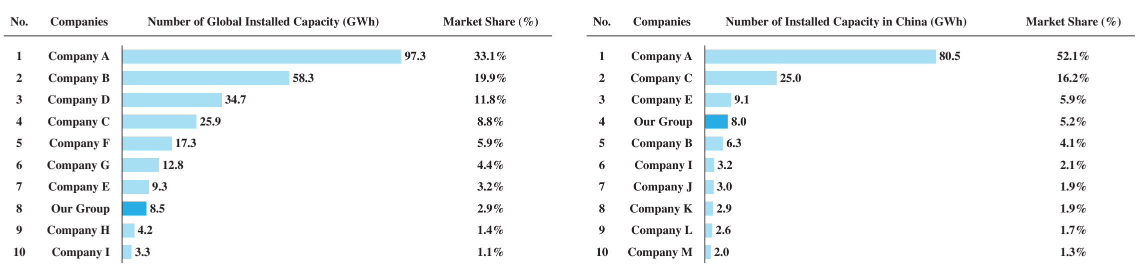


Source: Frost & Sullivan Report

In 2021, our Group has recorded approximately 8.5 GWh for global installed capacity of EV battery, accounting for a market share of approximately 2.9%, and ranked 8th in the global EV battery market. The top 10 companies accounted for approximately 92.5% of the global installed capacity of EV battery. In 2022 Q1, our Group has recorded approximately 2.65 GWh for global installed capacity of EV battery, and ranked 7th in the global EV battery market.

In 2021, our Group has recorded approximately 8.0 GWh for installed capacity of EV battery in China, accounting for a market share of approximately 5.2%, and ranked 4th in the China EV battery market. The top 10 companies accounted for approximately 92.4% of the total installed capacity of EV battery in China.

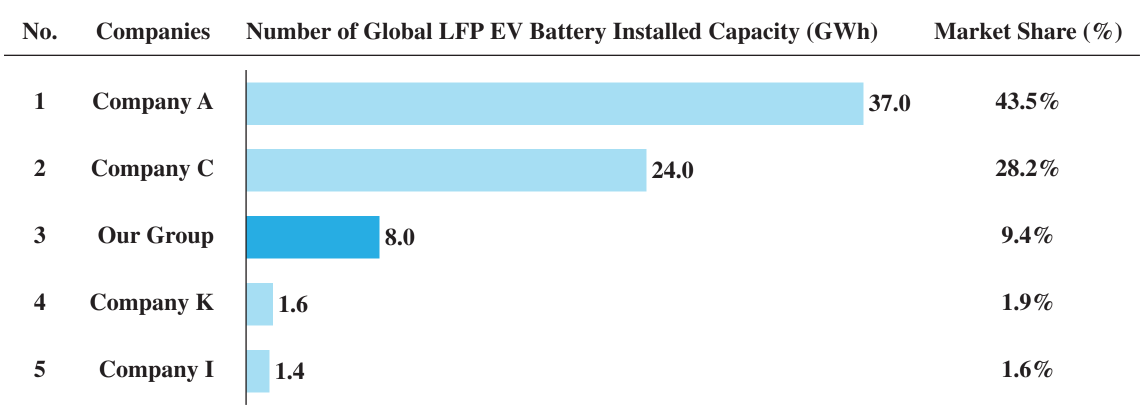
Top 10 Companies in Global and China EV Battery Market by Installed Capacity, 2021



Source: Frost & Sullivan Report

In 2021, our Group has recorded a number of approximately 8.0 GWh for installed capacity of global LFP EV battery, accounting for a market share of approximately 9.4%, and ranked 3rd in the global LFP EV battery market. The top 5 companies accounted for approximately 84.6% of the total installed capacity of global LFP EV battery.

Top 5 Companies in Global LFP EV Battery Market by Installed Capacity, 2021



Source: Frost & Sullivan Report

Global and China Energy Storage Battery Market Overview

Definition of Electrochemical Energy Storage and Energy Storage Battery

As an important branch of energy storage technology, electrochemical energy storage is an energy storage technology and measure that uses chemical batteries to store electric energy and release it when needed. An energy storage system (ESS) refers to a device that can store electrical energy and release it for use when needed. Energy storage battery is the core component of the ESS. Electrochemical energy storage can be divided into lithium-ion battery, lead-acid battery, lead-carbon battery, flow battery and sodium-sulfur battery energy storage, among which, lithium-ion battery is the most widely used electrochemical energy storage technology.

The global accumulated installed capacity of electrochemical energy storage accounted approximately 12% of the overall energy storage capacity and lithium-ion battery took up over 90% of the accumulated electrochemical energy storage capacity by 2021. Looking forward, it is estimated that electrochemical energy storage, represented by lithium-ion battery energy storage, will be the emerging sector of the energy storage industry and its proportion in the overall energy storage will continue to increase in the coming years.

Application of Electrochemical Energy Storage and Energy Storage Battery

The application of electrochemical energy storage is mainly divided into 1) electric energy storage, and 2) other energy storage. The application scenarios of electrochemical energy storage in the power system can be further divided into three categories: power generation side, grid side, and user side. Different from power batteries, energy storage batteries are widely used in power generation, transmission and distribution as well as electricity consumption with their functions such as peak shaving, renewable energy power output smoothing, ancillary services, etc. In addition to power system, electrochemical energy storage can be applied in many other scenarios. For example, it serves as the backup power supply of communication base station, data centre, UPS to support energy security.

Value Chain Analysis

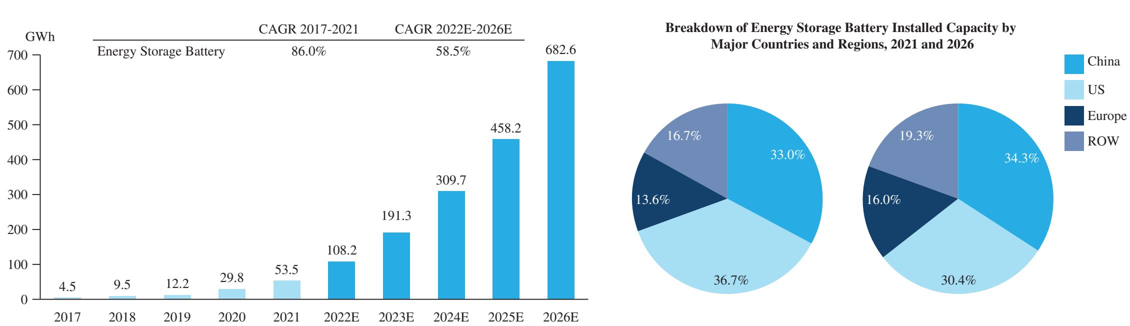
Energy storage system (ESS) is an integration of multiple subsystems which is mainly composed of energy storage battery module, Battery Management System (BMS), Power Conversion System (PCS), Energy Management System (EMS) and other relevant components. Energy storage battery is the most valuable subsystem in the ESS which accounted for over 60% of the total cost of ESS. Therefore, energy storage battery manufacturers play an important role in the whole value chain. Through strong investment in technology R&D, energy storage battery manufacturers continue to explore energy storage batteries with higher performance and lower costs to meet the diverse downstream demand. After the manufacturing of the key subsystems, the ESS will be integrated and installed, then be sold to downstream customers, and be widely applied by enterprises and individual users in the various scenarios.

Global and China Energy Storage Battery Installed Capacity

The market size of global energy storage battery installed capacity increased from 4.5 GWh in 2017 to 53.5 GWh in 2021 at a CAGR of 86.0%. Currently, over 20 government authorities have issued documents to encourage or mandate the clean energy power plant with energy storage system (ESS). Promoted by the supporting policies as well as the increasing layout of clean energy power generation, the energy storage industry in many countries and regions has achieved a remarkable growth. In 2021, the US installed the largest capacity of energy storage battery in the world, accounting for around 36.7% of the total installed capacity in the world, followed by China and Europe of approximately 33.0% and 13.6%, respectively.

Going forward, driven by the favourable policies, cost reduction of ESS as well as increasing awareness of energy storage, it is forecast that the market size of global energy storage battery installed capacity will increase from 108.2 GWh in 2022 to 682.6 GWh in 2026, representing a CAGR of 58.5%. Promoted by the policies such as "'14th Five-Year Plan' New Energy Storage Development Implementation Plan" ("十四五"新型储能发展实施方案) in 2022, the energy storage market in China would transform from an early stage of commercialization to scale development. It is expected that China will become the largest energy storage battery market in 2026, accounting for approximately 34.3% of the global installed energy storage capacity. China, the US and Europe will account for over 80% of the global installed energy storage battery capacity in 2026.

Global Energy Storage Battery Installed Capacity, 2017-2026E

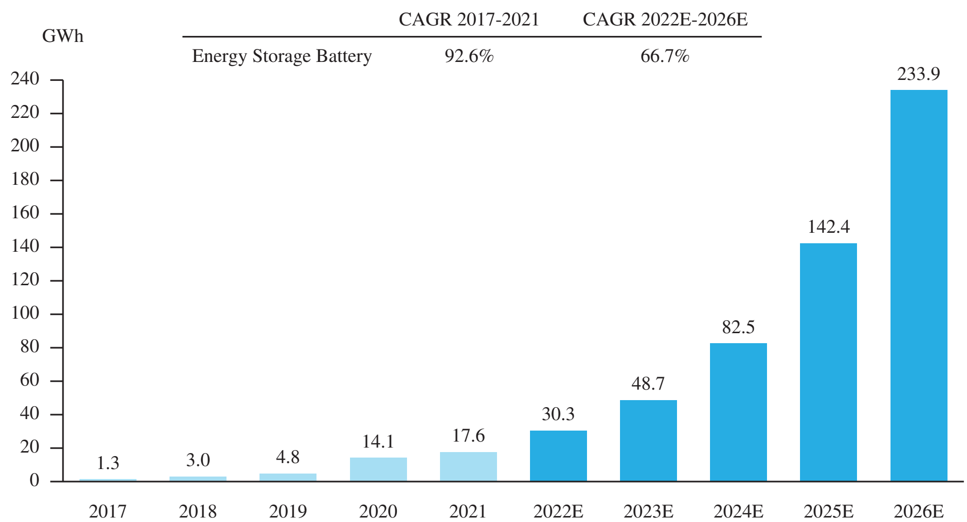


Source: Frost & Sullivan Report

Since 2020, as the electricity market deepened its marketisation process, as well as the commitment of "carbon peak" and "carbon neutrality", the trading mechanism of the electricity market and business models have become more normalized. In addition, the increasing demand for energy storage from communication base stations has stimulated the growth of energy storage battery industry. Benefit from the continuous reduction of the battery cost and the stimulation of government policies on energy storage, the market size of energy storage battery installed capacity in China increased from 1.3 GWh in 2017 to 17.6 GWh in 2021, representing a CAGR of 92.6%.

In the context of national strategy of energy transformation and carbon neutrality, energy storage battery is an integral part in the power system reform and new energy power consumption. Promoted by the continuous technology progress, further decrease of energy storage costs and broader application scenarios, the market size of energy storage battery installed capacity in China is expected to increase from 30.3 GWh in 2022 to 233.9 GWh in 2026 at a CAGR of approximately 66.7%.

China Energy Storage Battery Installed Capacity, 2017-2026E



Source: Frost & Sullivan Report

Market Drivers of Energy Storage Battery Market

- *Supportive Polices under the Carbon Neutrality Background*

In the context of carbon neutrality trend, energy storage has become one of the most important supporting technologies for improving the flexibility and stability of clean energy power generation. In developed countries such as the US, UK, Germany and Australia, governments have released various policies to encourage energy storage development, including relaxing the approval standards for energy storage projects, revising the charging model to increase the profitability of energy storage, subsidizing for residential energy storage, etc. For example, the federal Investment Tax Credit (ITC) issued by the US government provides tax credits for private companies and residential users to install energy storage equipment. The 2019/943 and 2019/944 decrees in the EU Clean Energy Package (CEP) propose to vigorously support the development of the residential energy storage and eliminate possible financial obstacles. In China, the "Implementation Plan of New Energy Storage Development in the 14th Five-year Plan" ("十四五"新型储能发展实施方案) issued in 2022 states that new energy storage industry (mainly consists of electrochemical energy storage represented by lithium-ion batteries and some other emerging energy storage technologies) will enter the large-scale development stage from the initial commercialization stage. Driven by the supportive policies around the world, the energy storage battery industry will develop rapidly in the coming years.

- *Rapid Development of Renewable Energy Power Generation*

Over the past few years, promoted by the technology breakthrough as well as strong government support, renewable energy has experienced a rapid development. For example, the global accumulated installed capacity of PV increased from 372.2 GW in 2017 to 918.8 GW in 2021 at a CAGR of 25.3%, and is expected to reach approximately 2,542.3 GW by 2026, representing a CAGR of 22.5% from 2022. With the continuous increase of clean energy installed capacity, the development of energy storage technology is critical to solve the problem of supply and demand matching and reduce the impact of wind and solar volatility on the power grid. Energy storage can be applied to the power generation side, the grid side and the power consumption side, and has different values and meanings in different scenarios. On the one hand, by shaving peaks and filling valleys, it can solve the problem of mismatch between power generation and electricity load during peak and valley periods; on the other hand, it can participate in the provision of auxiliary power services to solve the instability of the power grid caused by the volatility and randomness of wind and solar power generation. On the user side, the introduction of energy storage into the distributed clean energy system can stabilize renewable energy and reduce energy costs. Therefore, driven by the increasing penetration of solar and wind energy, it is expected that growing "clean energy + energy storage" systems will be installed, thus bringing huge development space to energy storage battery industry.

- *Continuous Decline of Energy Storage Cost*

As the major cost component in the energy storage system, the cost of energy storage battery directly affects the development of energy storage industry. Over the past few years, energy storage battery technology has made great breakthrough in aspects such as battery life, safety and energy conversion efficiency, etc. The continuous upgrade of battery technology and the scale production promote the cost reduction of energy storage battery. Meanwhile, the accelerated growth of new energy vehicles (NEVs) has also led to a rapid decline in the price of energy storage batteries. To meet the increasing market demand, global battery companies has been continuously expanding the production capacity. Meanwhile, some advanced technologies of EV battery can also be applied in the energy storage field, which further accelerates the cost reduction of energy storage battery. In the "Implementation Plan of New Energy Storage Development in the 14th Five-year Plan" ("十四五"新型储能发展实施方案), it is clearly expected that the performance of electrochemical energy storage technology will be further improved, and the systematic cost will be reduced by more than 30% by 2025. Therefore, driven by the steady decline of cost, energy storage will gain increasing downstream demand and thus stimulate the growth of energy storage battery industry.

Development Trends of Energy Storage Battery Market

- *Expanding Application Scenarios*

Energy storage can be applied to various scenarios, which mainly includes communication base stations, power systems, data centres, etc. In the field of communication base stations, energy storage batteries are used as an important backup power source to provide power when the power supply is insufficient or interrupted. By utilizing the cycle characteristics of lithium-ion batteries, installing energy storage in communication base stations can reduce the dependence on grid capacity expansion, thereby further reducing power network construction and operating costs. Energy storage applied in the power system is mainly divided into centralized and distributed scenarios. Centralized energy storage is mainly utilized in power generation-side and grid-side, while distributed energy storage is mainly used in user-side scenarios such as households, industry and commerce. At present, the application scenarios of energy storage in different countries and regions may have specific focus, which means that there is large growing space of other scenarios. For example, based on the competitive scale of centralized wind and solar power plants, the current energy storage industry in China is mainly centralized, while some areas such as Europe and California in the United States have developed large-scale distributed energy storage market. In the future, with the further marketisation of electricity market, advancement of technology as well as growing market awareness, energy storage will penetrate into more diverse scenarios such as households, industrial plants, office buildings, communication base stations and data centres, which brings new demand for energy storage battery industry.

- *Upgrading Energy Storage Technologies and Improving Safety*

The current energy storage battery technology has entered a new product revolution cycle. Energy storage batteries will evolve towards high power and large capacity to satisfy the application in different scenarios. Also, the volume utilization rate and the energy density of the energy storage battery is expected to be further improved through the optimization and integration of the battery pack structure. The improvement of the safety performance of energy storage batteries is another critical direction of energy storage technology development. On the one hand, electrolytes and separators with higher thermal stability and flame retardancy will be developed to improve the thermal safety of batteries. For example, the emerging liquid cooling technology can not only greatly reduce the battery temperature difference to improve the stability, efficiency and service life of the battery system, but also can increase the deployment density per unit space, save space, and effectively improve the safety of the energy storage system. On the other hand, energy storage technology will gradually be deeply integrated with power electronics technology and digital technology, and actively improve system safety through more intelligent battery management and control. Driven by the innovation and breakthrough of energy storage technologies, it is expected energy storage batteries with better performance and safety will be introduced to the market in the future.

- *Further Promotion of Integrated Photovoltaic-Energy Storage-Charging Piles Systems*

As an important part of the energy storage market, the integrated development of photovoltaic-energy storage-charging piles has attracted increasing attention. Participants such as energy storage battery manufacturers, energy storage system integrators, and charging pile operators have begun to explore and deploy integrated photovoltaic-energy storage-charging piles systems. The integrated system can supply power generated by solar PV to the charging pile and store the excess energy, which can not only achieve peak shaving and valley filling, but also relieve the pressure on the power grid caused by the increase of NEV charging piles, and effectively solve the intermittent and unstable renewable power generation. In the future, with the cost reduction, performance optimization and appropriate business model practice of the photovoltaic-energy storage-charging pile integrated system, its advantages such as stability, safety, and convenience will be more obvious. In the context of the advancement of the "dual carbon" goals and the further increase in the penetration rate of NEVs, the integration of photovoltaic-energy storage-charging piles is expected to be widely popularized in the future, bringing new development opportunities to the energy storage battery industry.

- *Increasing Layout of Battery Cascade Utilization*

With the rapid development of the electric vehicle industry, large quantities of waste EV batteries are expected to be available in the coming years. Cascade utilization refers to the process of conducting necessary inspection and testing, classification, disassembly, battery repair or reorganization of waste EV batteries into echelon products, so that they can be applied to other fields such as energy storage. Cascade utilization of EV batteries prolongs the service life of the battery, which is of great significance in terms of energy conservation, environmental protection, economic benefits and industrial chain extension. For example, retired EV batteries can be used in the energy storage system of centralized charging stations to achieve peak-valley arbitrage and reduce charging costs. In the future, with the improvement of relevant industry standards and the maturity of battery recycling and utilization mechanisms, cascade utilization will become a cost-efficient and sustainable source for energy storage batteries.

Entry Barriers of Energy Storage Battery Market

Technology capabilities, reputation and brand awareness, significant capital investments, and customer resource are the core barriers to entry into the energy storage battery market. The production process of lithium-ion battery is complex, and the upgrading of raw materials as well as production process need years of experience. With strong R&D strength and experienced R&D team, leading companies have mastered the core technologies and owned a series of patents, which can provide products that meet different application scenarios. It is difficult for new entrants to have such capabilities in the short-term. In addition, having a good reputation and brand awareness provides leading companies with stronger pricing power and product attractiveness. Customers of the energy storage battery manufacturers tend to choose reputable energy storage battery companies in the industry. However, brand construction needs a long-term accumulation and investment, which forms a barrier to new entrants. Furthermore, the capital expenditure of energy storage battery industry is relatively high. Plant construction, production equipment purchase, R&D investment, and daily operations require financial support. New entrants may represent less competitiveness in their early development stages due to inadequate funding. Last but not least, expanding customer base as well as establishing cooperative relationships with customers are essential for energy storage battery manufacturers. It is difficult for new entrants to gain new customers in the short-term.

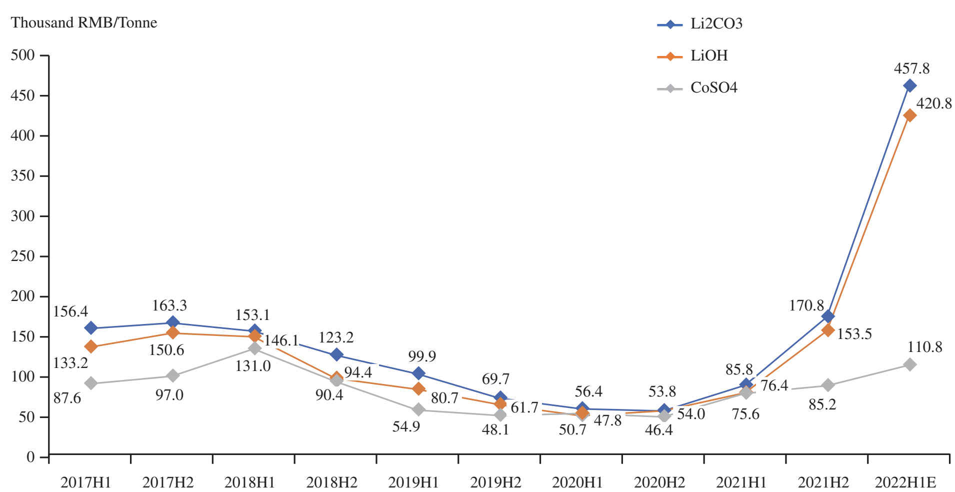
Analysis of Raw Material of Battery

Cost Structure Analysis and Price Trend of Major Raw Material of Battery

Battery cell is composed mainly of cathodes, anodes, electrolyte and separators. Since 2020, affected by pandemic, raw material companies have failed to achieve their production expansion plans as expected, resulting in a shortage of raw material imports and tight supply. Along with rapid growth of new energy vehicle sales, price of raw materials has demonstrated an upward trend.

Lithium carbonate (Li2CO3), lithium hydroxide (LiOH) and cobalt sulfide (CoSO4) are the major raw materials of synthesizing EV battery cathode. Given a great demand of raw material due to the rapid growth of EV battery installed capacity, the price of the major cathode raw material has climbed since 2021.

Average Prices of Major Cathode Raw Materials (China), 2017-2022E



Source: Frost & Sullivan Report

The future competition of power lithium batteries is highly related to raw materials. At present, the rapid development of new energy vehicles drives the large-scale construction of EV battery and growing demand for raw materials. For battery manufacturers, controlling the long-term and stable supply of raw materials means gaining more bargaining power. To gaining a competitive edge, industry players need to form a self-supply system from both raw materials, components to products by expanding upstream and downstream layout and establishing a vertically integrated supply chain.

Our Mission

Our mission is to make green energy accessible and sustainable.

Our Vision

Our vision is to focus on technology to drive growth and become a leader in the global energy storage industry.

Overview

We are one of the earliest companies in China to engage in independent research and development, production and sales of EV lithium-ion batteries, and have grown into a world-leading and rapidly expanding provider of new energy solutions. Our major products are EV batteries and ESS batteries. According to the Frost & Sullivan Report, in terms of installed capacity, we ranked fourth at 8.0 GWh in the PRC EV battery market and eighth at 8.5 GWh in the global EV battery market in 2021, with a market share of 5.2% and 2.9%, respectively; and in terms of the number of new energy vehicles equipped with EV batteries, we ranked third at approximately 395,000 units in the PRC EV battery market and fifth at approximately 420,000 units in the global EV battery market in 2021, with a market share of 11.2% and 6.5%, respectively. According to the same source, in terms of installed capacity, we ranked third at approximately 8.0 GWh in the global LFP battery market, with a market share of 9.4%.

Since our inception, we have focused on accumulating scientific knowledge and carrying out technological research on battery materials, production and product applications. As of March 31, 2022, we had applied for in aggregate 5,439 patent technologies globally, covering the entire life cycle of batteries. Material research and development is the foundation of battery technology and also our core competitiveness. So far, we owned more than 1,000 patents related to battery materials. Apart from material science, we are also fully committed to the research and development of power batteries on aspects such as battery structure, product design, manufacturing engineering, testing and verification, and battery recycling. We have established and are in the process of establishing eight research and development bases and four testing and verification bases across the globe. Our LFP and ternary battery products have achieved industry-leading performance in terms of energy density, cycle life and safety. Meanwhile, our advanced ESS battery technology enables our lithium-ion ESS batteries to reach a life of 12,000 cycles, far exceeding the industry average.

Benefited from our strong research and development capabilities, the production scale of our batteries and battery materials is expanding continually. As of March 31, 2022, we had established ten production facilities in China, all of which have strong scalability and capabilities for mass production. In addition to our existing production capacity, in order to meet the growing demand from purchase orders and PRC and overseas markets generally, we have proactively expanded a number of production facilities. Meanwhile, we are interested in and seek opportunities to set up production bases overseas to help establish our international presence. We have launched battery or product production plans in India, Vietnam, Germany and the United States, among other countries. As of May 31, 2022, the designed production capacity of our battery business had reached 50GWh. We intend to further increase our designed production capacity beyond 100GWh by the end of 2022, and target at exceeding 300GWh by 2025.

The depth and breadth of our research and development capabilities has enabled our visionary and insightful participation throughout the entire battery value chain, extending from upstream mining and refining of mineral resources and battery material production, to downstream battery recycling. We produce cathode materials to meet our daily battery production needs. Moreover, we manufacture other major battery materials by jointly establishing factories; we have established or been establishing production plants for lithium carbonate, graphite anode ternary precursor and other raw materials for lithium-ion batteries in Yichun, Jiangxi province, Wuhai, Inner Mongolia autonomous region and Caofeidian of Tangshan, Hebei province of the PRC. In addition, we have been building in Feidong county of Hefei, Anhui province a project to recycle and repurpose batteries with an annual designed production capacity of 100,000 tonnes, with an aim to ensure supply of key raw materials and the formation of a battery recycle system, and thereby realize low carbonization in our battery business.

We possess powerful software-centric battery integration technology. In terms of compatibility, we continue to expand the coverage of our product offerings. For example, our EV power battery products can be assembled for passenger vehicles (such as A00-C class vehicles), commercial vehicles and specialized vehicles, and are applicable to pure and hybrid electric vehicles. Our ESS battery products can meet various needs from households, commercial settings and grid companies. In terms of performance, our continual innovation in system integration, structure, electrical and thermal management, among other aspects, has allowed us to greatly improve the efficiency and safety of grouped batteries, and significantly reduce the costs.

We adhere to the principle of research and development-driven production, and continue to promote the internationalization of our business. We have established or are in the process of establishing eight research and development bases globally, in Silicon Valley of the United States, Cleveland of the United States, Tsukuba of Japan, Singapore, Germany and Shanghai and Hefei of the PRC to support the localization of our products. We have also strategically cooperated with many large-scale international enterprises such as Volkswagen of Germany, Tata of India, Bosch of Germany, EBUSCO of the Netherlands, Invenergy of the United States, VinFast of Vietnam, among others, in product manufacturing, technology research and development, management system and market development. In the future, we intend to further advance our international cooperation in funding and realize localized production in all aspects.

In particular, since 2020, we and Volkswagen have carried out complementary cooperation in technology, funding and industrialization, which proves to benefit the future development of both parties. Volkswagen shared with us advanced international management concepts, efficient and precise manufacturing and quality systems, and strengthened our connections with the global supply chain. Meanwhile, we also offered our construction experience of advanced production lines and our battery products to Volkswagen and gave our technology support to Volkswagen in battery manufacturing. In March 2022, we officially became Volkswagen's battery cell supplier for the China region. We signed a Procurement Fixed-point Agreement with Volkswagen (Anhui) Components Co., Ltd. and becomes its qualified supplier for ternary batteries and LFP batteries. All batteries purchased under this agreement are Volkswagen Group's next-generation battery, the "Unified Cell," which adopts uniform design and specifications and is intended for Volkswagen Group's new energy vehicles.

We have achieved significant growth in 2019, 2020 and 2021. Our operating revenue increased by 35.6% from RMB4,958.9 million in 2019 to RMB6,724.2 million in 2020, and further increased by 54.0% to RMB10,356.1 million in 2021. Our research and development investment in 2019, 2020 and 2021 was RMB588.1 million, RMB695.7 million and RMB1,166.6 million, respectively, which accounted for more than 10% of our operating revenue for three consecutive years.

Key Strengths

Extensive strategic cooperation with quality clients in research and development

By adhering to a customer-centric operation philosophy, we have established and maintained stable and close relationships with a number of quality clients in the power battery market, such as SAIC Group, Geely Automobile, Great Wall Motor, Changan Automobile and Chery Automobile, through strategic cooperation in research and development of next generation innovative EV battery technology.

We are committed to focusing on technology based production of batteries, and have expanded fruitfully our customer base over the entire battery value chain, from manufacturing of battery materials, battery production, battery application to battery recycling. Our products can meet various needs of customers from diverse backgrounds, which has contributed to a diversified customer base and our relatively low reliance on top customers. According to the Frost & Sullivan Report, the concentration rate of top five customers for our peers in terms of revenue contribution largely exceeds 50%, while ours was only about 36% in 2021, which can effectively contain our related risk exposure for us to further expand the spectrum of our business.

We strive to continually optimize our application based product mix of batteries, which are mainly applied to models of passenger vehicles, commercial vehicles and specialized vehicles, with an increasing proportion of passenger vehicles. In 2021, we had 15 passenger vehicle customers, 9 commercial vehicle customers and 27 specialized vehicle customers. According to Frost & Sullivan, we ranked second in the PRC EV battery market by number of customers in 2021. In terms of the number of new energy vehicles equipped with EV batteries, we ranked third at approximately 395,000 units in the PRC EV battery market and fifth at approximately 420,000 units in the global EV battery market in 2021, with a market share of 11.2% and 6.5%, respectively.

We continue to advance our technology and enhance product quality as our main objectives, and accordingly we have attracted a large number of quality clients to work with us. For example, we became part of Bosch's global supply chain network, established a joint venture with Tata Motors in India to develop the Indian lithium-ion battery market, and continually expanded our cooperation with Volkswagen Group, and entered into strategic cooperation agreements with VinFast in Vietnam and a listed automaker in the United States for overseas market expansion.

We continually promote battery applications in other areas. As one of the pioneer enterprises in the PRC ESS battery industry, we have cooperated with well-established clients such as State Grid, Huaneng Group and State Power Investment Corporation, and completed construction of milestone energy storage projects, such as the integrated wind and solar energy storage project for the Zhangjiakou Winter Olympics and the energy storage frequency regulation project for Shenzhen Nanshan Power Station. In 2021, we won bid for Phase I (103MW/206MWh) project of Huaibei Wanneng Energy Storage Power Station, with a total scale of 1GWh, which is currently the largest grid-side LFP energy storage power station in the PRC by single capacity.

Meanwhile, we also strive to develop key overseas ESS battery markets. We have established comprehensive strategic partnerships with companies such as Invenergy and Jinko to prepare us for overseas application of our ESS batteries. In 2019, we cooperated with Energyport in building a 72MW/72MWh energy storage power station on the power generation side in West Virginia and Illinois, the United States. This project was then the second largest energy storage power station in North America at that time by single capacity.

Strong research and development capabilities with a focus on fundamental science

Our research and development efforts on batteries are based on fundamental material and digital science, as we believe fundamental science is critical to driving our growth and we shall continue to focus on fundamental science as a long-term strategy. We have established and are in the process of establishing eight research and development bases around the globe, including our Shanghai base on product design, Hefei base on product research, development, testing and verification, Tsukuba base on advanced materials, Singapore base on energy storage systems, Silicon Valley base on BMS, and Cleveland base on electrolyte. For details, see "– *Research and Development*." Meanwhile, we have founded four test and verification bases. Additionally, we instituted cooperative research and development programs with several notable universities and institutions.

Our EV battery technological capabilities are leading in the EV battery industry, as reflected in the following aspects:

- *LFP Batteries*. By using raw materials manufactured in-house, we are capable to mass produce LFP battery cells with an energy density of 210Wh/kg, and complete the design of LFP battery cells with an energy density of 230Wh/kg, all of which represents a leading position in the application of LFP batteries globally.

- *Ternary Batteries*. Leveraging our ternary precursor material technology and mass production technology of ternary cathode materials and ternary batteries, we have mass produced ternary EV battery cells with an energy density of 302Wh/kg. Meanwhile, our high performance semi-solid batteries with an energy density of 360Wh/kg have passed the new national standard safety test, of which we commenced production. A high-end new energy vehicle company has designated us for mass producing and supplying such batteries for their EV models.

We have nurtured an abundant pool of talents. As a national enterprise technology center, as of March 31, 2022, we had over 2,000 research and development personnel, over 700 of which had a master's degree or above, and more than 100 of which had overseas degrees. In addition, we have established talent cultivation and cooperation programs with Columbia University, Stanford University, Nanyang Technological University and other PRC and overseas universities.

Meanwhile, we corporate with domestic and international well-known universities and scientific research institutions to promote the research and development of advanced battery technology, including Chinese Academy of Sciences, University of Science and Technology of China, Tsinghua University and Hefei University of Technology in the PRC, and Stanford University and Columbia University in the United States. Meanwhile, we established university-industry collaborations with a number of institutions, including a smart energy laboratory with Nanyang Technological University, for technological advancement.

As of March 31, 2022, we had registered 5,439 patents (including 2,492 invention patents, 147 of which were registered in overseas jurisdictions, and 2,565 utility model patents). Our technologies were patented in both the PRC and overseas jurisdictions such as Europe, the United States, Japan and South Korea, encompassing a variety of subjects along the entire battery value chain, including cathode materials, anode materials, separators, electrolytes, structural design of battery cells, techniques and equipment for battery cell processing, BMS, battery grouping, testing and verification, dismantling and recycling and energy storage.

In addition, as of March 31, 2022, we had published 255 research papers globally, 23 of which were published in the SCI Journal and 147 of which were published in other major publications, and registered over 100 software copyrights. As of the same date, we led and participated in the formulation of 45 standards, which include two international standards, 22 national standards and four industry standards.

We have also won awards and recognitions for our research and technology capabilities. In 2019, we ranked 92nd in the Top 100 PRC Enterprises by Innovation Capability published by the Enterprise Innovation Research Group of Renmin University of China, as the only power battery company in such list. In 2021, we were among the top 500 PRC brands, and ranked 38th among the top 100 PRC companies by technology and innovation (as the only power battery company in such list). Additionally, we have obtained numerous qualifications and certifications abroad.

Cost effective business model that penetrates the entire battery value chain

Over the years, we have effectively extended our operations over, and further penetrated, the entire battery value chain, by leveraging the economies of scale generated by our ten production facilities of batteries and raw materials. In particular, our participation in the battery value chain encompasses extraction and refinement of mineral resources, manufacturing of raw materials, production of battery cells, modules and packs, and battery recycling and repurposing. We particularly focus on the production and research and development of raw materials, and insist on the strategy of producing in-house all core cathode materials, while partnering with other companies to jointly produce other key materials. We believe this strategy can effectively enhance our competitiveness in production efficiency, cost controls, quality management and sales and marketing, and therefore improving our gross profit margins.

In respect of mineral resources, we contracted with local governments for mining and refining activities of lithium mines to support the production of battery grade lithium carbonate in Yichun, Jiangxi province. In respect of cathode and anode materials, we jointly established production facilities with China Metallurgical Group Corporation and BYD Co., Ltd. to produce ternary precursor cathode materials in Tangshan, Hebei province. We have been constructing facilities for cathode materials in Lujiang county, Hefei, Anhui province and for graphite anode materials in Inner Mongolia autonomous region. In respect of separators, we have established a joint venture with Shenzhen Senior Technology Material Co., Ltd. to produce separators, and such joint venture has commenced a phase II construction project to further expand its production capacity. In respect of electrolytes, we acquired BASF electrolyte laboratory in the United States and its related patents in electrolyte, to enhance our research and development capabilities on batteries with high voltage and energy density. In respect of battery recycling, we have been constructing battery recycling production facilities in Feidong county, and plan to construct additional production facilities in Lujiang county, Hefei, Anhui province, with an aim to realize a substantial increase in the end-of-life recycling rate of used batteries.

In addition, one of our subsidiaries has mass produced carbon coated aluminum foil, and we have also developed copper foil with Tongling Nonferrous Metals Group Co., Ltd., and entered into a cooperation agreement with Shanghai Electric Group Co., Ltd. to establish a joint venture that focuses on the energy storage field. For details, see "– *Our Cooperation with Volkswagen and Other Business Partners*."

Through cooperation with various parties, our integration of different parts of the battery value chain has allowed us to effectively increase our controls over each part, and maintain competitive advantages in production management, cost controls, quality controls, and sales and marketing, therefore forming a closed-loop ecosystem for our battery business.

Scalable production capacity driven by prudent project management and intelligent manufacturing

We have established ten production facilities for our battery business, which has laid a solid foundation for our further expansion in production capacity. We expect to achieve a designed production capacity of 100GWh by the end of 2022, and gradually increase the same in overseas markets such as North America, Europe, Southeast Asia and South Asia.

Our rich experience and strong capabilities in construction project management is critical to our continual expansion in production capacity. We have established a project review management mechanism and a project review committee, which adopts a scientific approach as to the review, supplement and refining of research, development and production projects. This has helped us prudently expand our operations and improve profitability.

Meanwhile, our intelligent manufacturing systems integrate advanced technology into the construction of production lines and the expansion of our production capacity. Intelligent manufacturing provides a complete set of construction solutions for production facilities, from construction planning, equipment planning, technique planning, equipment procurement, installation and mass production. It allows us to replicate the construction process of production lines efficiently from one place to another, and enhances our ability to complete the construction projects timely and smoothly.

Our newly built production lines will be able to seamlessly link the data collection terminal of intelligent equipment with enterprise resource planning (ERP), warehouse management system (WMS) and manufacturing execution system (MES). For our existing production lines, we have commenced the digital upgrade to build smart battery factories, which feature automation, digitization, internet connection and intelligent manufacturing. We intend to gradually transform our production facilities to automatic factories that employ lights-out manufacturing.

As a result of our continual optimization of the production facilities in aspects such as space design, production line layout, green energy utilization and energy recovery, we have continued to reduce the production power consumption per kWh of batteries and reached an industry-leading position. In 2021, our CO_2 emissions totaled 1,134,680 tonnes, a decrease by 27,869 tonnes compared to 2020.

The automatic collection, analysis, collation and reporting of supply chain data enabled by our intelligent manufacturing systems provide strong support for our strategic decision-making. Capitalizing on the establishment of our digital platform, our production efficiency has been greatly improved, with decreased operating costs, shorter product development cycles, reduced defective product rates and increased energy utilization rate, and the product manufacturing pass-through rate has increased to more than 95% with notable improvement in quality.

Strategic layout for international expansion that targets the global market

We continue to actively expand the global market. In 2021, our operating revenue generated from overseas increased by 232.6% compared to 2020. Currently, the booming global new energy vehicle market is a crucial growth driver for the PRC power battery companies to expand their international footprint. We have formed strategic cooperation with many international customers, from which we have obtained purchase orders, to gradually build up our own global market network. In view of a surge in our purchase orders from overseas customers, we have also started devising construction plans for production facilities located outside the PRC, such as Europe, North America and Asia. Some of our representative cooperation in the course of our international expansion is set forth below:

European Market. We continue to enhance the depth and width of our cooperation with Volkswagen, and are committed to the research, development and production of unified battery cells. We acquired a factory of Bosch Group in Göttingen, Germany, to establish our first new energy production and operation base in Europe. Moreover, we supplied battery products to more than 260 units of electric buses of EBUSCO of Netherlands since 2019. In addition, we are a major supplier of LFP batteries for SAIC Maxus's wide-body light passenger vehicles.

North American Market. In December 2021, we, through our wholly owned overseas company, entered into a supply and localization agreement with a US listed automobile company to supply LFP batteries of no less than 200GWh in total volume over a period of six years from 2023 to 2028. To meet such demand, we plan to establish localized production lines in the United States, and may jointly explore the possibility of establishing a joint venture with such automobile company in the future.

Asian Market. In May 2019, we entered an agreement with India Tata AutoComp Systems Limited to establish a joint venture that focuses on battery products for the Indian market. In August 2021, we entered into a strategic cooperation agreement with VinFast, the largest auto group in Vietnam, to supply LFP batteries and offer relevant technical support, pursuant to which a joint venture shall be established that mainly focuses on manufacturing LFP batteries in Vietnam.

South American Market. In April 2022, we entered into a memorandum of understanding with the Jujuy Energía y Minería Sociedad Del Estado, pursuant to which we shall establish a battery grade lithium carbonate refinery jointly, and carry out other cooperation such secure supply of local lithium mineral resources and downstream business development.

Visionary and experienced management team

We have a united, efficient and visionary management team. Our founder and chairman, Mr. LI Zhen, is a respected entrepreneur and industry leader, who has focused on the energy storage industry for more than 16 years. He was once recognized as a Person of the Year for the PRC battery industry, and is responsible for our PRC and overseas businesses, strategic capital and the general engineering research institute. The other members of our management includes: Mr. Frank ENGEL, who is also executive vice president of Volkswagen Group China and head of components and parts, logistics, and quality assurance departments, and an expert in automotive parts; Mr. Steven CAI and Mr. ZHANG Hongli, who have worked for us for years and are experts in research and development; and Ms. Andrea NAHMER, who is an expert in production, products and investment control. In addition, the four independent Directors of our Company all have professional backgrounds and rich industry experience.

Strategies

We hope to increase our designed production capacity to exceed 300GWh by 2025, through further integrating entire battery value chain, technological advancement, improvement in operational efficiency and establishing a global platform, among other things.

Continually promote our international expansion and increase production capacity to enhance our market share

We expect to continually increase production capacity to meet the rapidly growing global demand for batteries and further expand our market share in the global energy storage market. We hope to scale up our designed production capacity beyond 300GWh by 2025. In particular, we plan to reach a designed production capacity of approximately 100GWh by 2022, and increase by another 100GWh afterwards, in the PRC. Meanwhile, we expect to increase by 100GWh in designed production capacity in overseas markets such as North America, Europe, Southeast Asia and South Asia.

For overseas markets, we intend to focus on European, American and Asia-Pacific markets, and increase brand awareness and market share through our cooperation with key strategic customers, particularly notable automakers. For the PRC market, we intend to further integrate our resources and actively develop quality customers from passenger vehicle, specialized vehicle, light vehicle and commercial vehicle markets, to maintain and increase our presence in such markets.

Moreover, we expect to enhance our ESS battery business through improving our product portfolio and increasing strategic cooperation in both PRC and overseas markets. We plan to focus on business development over user-side energy storage power stations, and enhance our business towards individual customers. We intend to construct after-sale service outlets to improve our service capability and improve customer satisfaction.

Increase investment in research and development to realize technological innovations and breakthroughs

We are committed to a technology driven growth strategy, and strive to maintain our position as a technology based company. We focus on core technology development to continually increase the energy density of our batteries and gradually realize mass production of the same. We plan to further invest in research and development, to increase production volumes of mature products and expand our market presence through innovative products. We intend to concentrate quality resources for addressing challenges in battery application, and focus on the integration among research and development, production and quality controls to increase product consistency. We also insist on prioritizing research and development in battery materials including LFP and NCM, and promoting the commercialization of batteries embedded with Jellyroll to Module technology and unified battery cells. We shall continue to improve the energy density, cycle life and safety of batteries to ensure the advanced position of our battery material and application technology in the world.

We intend to integrate our comprehensive research and development capabilities of the eight research and development bases across the globe, and continue to make achievements in material research and development, battery technology and product design. Meanwhile, in terms of research on next generation technology, we plan to increase our research and development efforts in solid-state and semi-solid flow batteries and electrolytes. We are currently researching solid-state batteries with an energy density of over 400Wh/kg.

Further optimize supply chains to enhance cost advantages

We shall continue to focus on the optimization of our LFP batteries, performance enhancement of our ternary batteries, and business expansion of our ESS batteries, and refine our participation in the upstream and downstream value chain. We strive to integrate the resources of the whole industrial chain of lithium-ion batteries for purpose of securing the supply of principal raw materials. We have manufactured in-house cathode materials and produced other major raw materials through establishing joint venture with third parties. We intend to continually adhere to such strategy, and further reduce our costs to enhance our competitive advantages.

For instance, we commenced the construction of production facilities for manufacturing graphite anode with an annual designed production capacity of 400,000 tonnes in Wuhai, Inner Mongolia autonomous region in early 2022. The production facilities, which are estimated to consume electricity of 4,000GWh, are expected to be powered entirely by solar energy, through photovoltaic power generation at a capacity of 2GWh and our own energy storage power station at a capacity of 1GWh. We seek to create our own zero-carbon production base for providing new energy vehicle materials, while enhance the advantage of production cost.

Strengthen management infrastructure and continually attract and cultivate talents

We intend to continually improve the operational efficiency by enhancing our management infrastructure. We plan to adopt enterprise resource planning (ERP) company-wide to realize resource optimization and sharing. In addition, we shall further implement systems such as project management platform, warehouse management system (WMS), quality management system (QMS) and high performance computing (HPC) platform, to upgrade our office automation (OA) system and expand its functions. We also plan to promote the supplier relationship management (SRM) system to our subsidiaries.

Meanwhile, we believe that talents are the foundation of our long-term business growth. We seek to optimize the salary structure and employee assessment system based on employees' needs to stimulate their creativity. We shall also refine employment qualification standards and management processes, to increase per capita output efficiency and unit labor costs and prevent loss of key talents. With respect to nurturing talents, we plan to further institute a robust internal training system with varied cultivation programs for different levels of employees, through which we hope to increase our production and management efficiency.

We believe our extensive professional knowledge, deep industry understanding and rich experience in battery application of the energy storage sector can assist us in attracting and cultivating management and technical talents. In addition, we also plan to cooperate with top PRC and overseas universities and institutions to further cultivate our talent pool.

Enhance product quality with informatization upgrade

We shall continually optimize our organization and system, institute performance management metrics over all business processes from planning, procurement, production, warehouse and logistics, improve execution and refine our cost reduction system. We adhere to the development strategy of automation, timeliness and intelligent transformation, and continue to improve production efficiency and product quality. In addition, we intend to integrate Volkswagen's advanced experience in refined production into the informatization upgrade of our operations, and reorganize our business processes by using digitization, to produce more competitive battery products in the market.

Proactively develop ESS battery market to refine power grid structure

Based on our in-house leading lithium-ion battery technology, we are actively exploring ESS battery technology and its application. From a technical point of view, we continue to develop ESS battery technology, including ultra-long-life battery technology, high-consistency module integration and management technology, ESS battery lifespan estimation technology, safety evaluation methods and standards for units and modules in large-scale electrochemical energy storage systems and unified dispatching and control technology of 100GWh-class large-scale energy storage power stations; and we strive to continually break limits on ESS batteries in terms of safety and energy efficiency. In terms of market development, we intend to focus on needs from the power generation side, power grid side, user side and power back up side, based on our current ESS battery product portfolio for households, commercial settings and grid companies, to further penetrate the PRC and overseas energy storage markets.

In light of the background of energy transformation and "double carbon" strategy (which comprises goals of reaching peak carbon dioxide emissions and carbon neutrality) in the PRC, lithium-ion ESS battery is of material importance to the power system reform and new energy consumption. The ESS technology is expected to transform the current operation structure of power grid and improve its operation quality. Meanwhile, governments of the United States, the United Kingdom, Germany and Australia have issued policies that encourage the development of ESS technology, which indicates great potential for the global energy storage market. We strive to participate in ESS battery construction projects for the power grid side, new energy generation side and user side, and hope to become a leading provider of ESS batteries and solutions internationally.

History

The Company was established via a reorganization, which was approved by the CSRC, and became listed on the Shenzhen Stock Exchange on April 20, 2015, following an agreement for purchase of assets by issuing shares, pursuant to which (i) our predecessor Jiangsu Dongyuan Electrical Group Co., Ltd. (江苏东源电器集团股份有限公司), a company with its A shares listed on the Shenzhen Stock Exchange under stock code 002074 since October 18, 2006, acquired 99.26% equity interests in Hefei Gotion High-tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司), and (ii) Hefei Gotion High-tech Power Energy Co., Ltd. injected certain assets to our predecessor. Following the asset purchase, Jiangsu Dongyuan Electrical Group Co., Ltd. became the controlling shareholder of Hefei Gotion High-tech Power Energy Co., Ltd., and was subsequently renamed Gotion High-tech Co., Ltd. on September 18, 2015.

The following sets forth some of our key corporate milestones:

2006 • Hefei Gotion High-tech Power Energy Co., Ltd. was incorporated (which is now a wholly-owned subsidiary of the Company).

2007 • Lithium iron phosphate material production line was put into operation. Trial production of 50,000 AH batteries commenced by batches in production lines.

2008 • The engineering research institute of the Company was established.

2009 • The company commenced the production of electric bus batteries and assembled 30 bus battery modules in the same year.

2010 • The world's first electric bus powered by the Company's battery was put into operation. The Company officially started constructing new production lines of 200,000 Ah lithium-ion EV batteries.

2011 • The Company worked with Hefei Jianghuai Automotive Co., Ltd. ("**JAC**") to launch 585 first-generation Tongyue pure electric vehicles to the private vehicle market in several batches. Furthermore, the Company was certified with ISO/TS16949:2009 by TÜV Rheinland Group in Germany.

2012 • The Company cooperated with JAC in launching 3,000 IEV third-generation pure electric vehicles.

2013 • The Company actively explored overseas markets and established cooperative relations with SAIC Motor Co., Ltd ("**SAIC**"), Beijing Automotive Group Co., Ltd ("**BAIC**"), King Long United Automotive Industry Co., Ltd. and Zhongtong Bus Co., Ltd.

2014 • Silicon Valley research institute of the Company was established.

• One hundred IEVs embedded with our Company's batteries and manufactured by JAC Motors were exported to the United States.

2015 • Our Company obtained accreditation on testing laboratory by China National Accreditation Service for Conformity Assessment.

2016 • SAIC's EV80 pure electric vehicles equipped with our batteries made its world premiere in the United Kingdom.

• We obtained the first ECE R100 certificate in the PRC for new energy power battery products, which allowed us to enter into the European markets.

• The 2016 Sino-US New Energy Economic Forum in San Francisco, US was co-hosted by our Company and BAIC.

2017 • We signed a strategic cooperation agreement with Columbia University to establish a joint laboratory that focuses on advance technology relating to EV battery.

• We entered into a cooperation agreement with Shanghai Electric Group Co., Ltd. to establish a joint venture that focuses on the energy storage field.

2018 • We signed a strategic cooperation agreement with China Tower Co., Ltd. on the cascade recycling of power batteries.

• Changwang Energy Storage Station (8MW/16MWh) in Zhenjiang, Jiangsu province, the PRC, which was supported by our lithium iron phosphate batteries was successfully connected to the grid.

2019 • We signed a procurement framework agreement with Robert Bosch GmbH to provide it with lithium-ion battery cells, modules and packs.

• We signed a joint venture agreement with Tata AutoComp Systems Limited to establish a joint venture that focuses on battery products for passenger vehicles and commercial vehicles and is expected to benefit our overseas expansion.

• We supplied energy storage system batteries for the 72MW/72MWh grid frequency modulation project in West Virginia, US.

2020 • We and Volkswagen (China) Investment Co., Ltd. entered into a strategic agreement to create greater synergies between Volkswagen's electric vehicle business and our EV battery production.

2021 • Volkswagen (China) Investment Co., Ltd. became our largest shareholder by number of A Shares held.

• We entered into a contract with Robert Bosch GmbH to acquire its factory in Göttingen, Germany, to establish our Company's first new energy production and operation base in Europe.

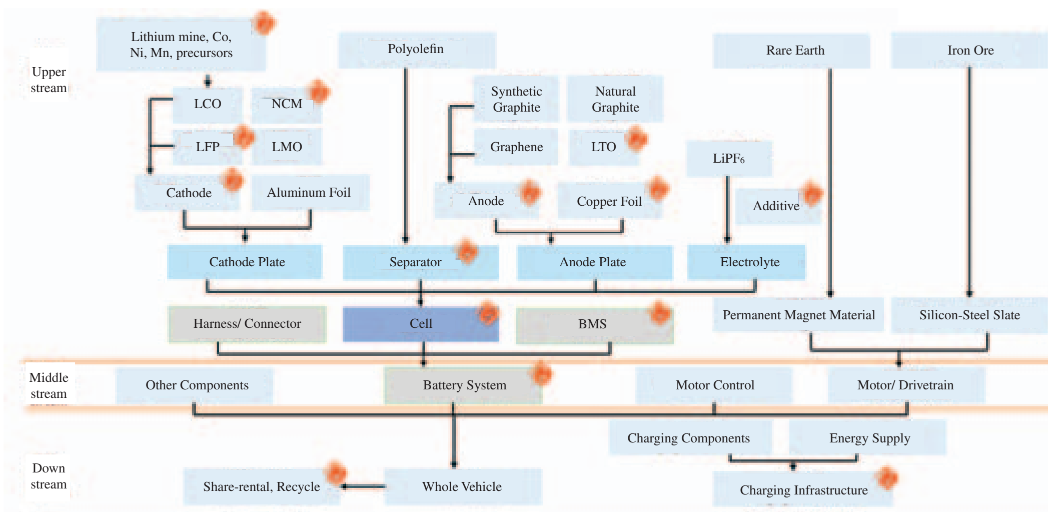
• We received orders from the US market for LFP batteries of 200GWh.

2022 • We signed a contract with Jujuy Energía y Minería Sociedad Del Estado in Argentina to cooperate in establishing a battery grade lithium carbonate refinery jointly.

• We officially became Volkswagen's battery cell supplier for the China region.

Our Business Model

We are a leading provider of clean energy solutions. Our key products are batteries, particularly rechargeable lithium-ion batteries, from which we derive most of our operating revenue. We focus on penetrating and integrating the entire battery value chain by way of in-house research and production, or cooperation with third parties. We believe this model can effectively enhance our competitiveness in production efficiency, cost controls, quality management and sales and marketing. The following graph illustrates our participation in the battery value chain:



- ***Mining and refining.*** We contracted with local governments in Yichun, Jiangxi province, the PRC, to carry out mining and refining activities of lithium mines; and we also partnered with third parties in establishing a battery grade lithium carbonate refinery.

- ***Cell component.*** We manufacture in-house cathode materials, which are core components of battery cells, to meet our own battery production needs. Meanwhile, we produce on our own or partner with third parties in producing other materials, such as separator, copper foil and electrolyte. We have also been constructing production lines for graphite anode materials.

- ***Battery manufacturing.*** We operated ten battery production plants as of May 31, 2022, with a designed production capacity that reached 50GWh. For details, see "*—Raw Materials, Production and Quality Controls—Production Facilities*." All of our battery production plants are centered on research and development, and scalable in terms of production capacity. We expect to increase our international footprint through further establishing battery production plants overseas. See "*Reasons for the Offering and Use of Proceeds.*"

- ***End use.*** We cooperate with electric vehicle and power generation companies in developing batteries for electric vehicles ("**EV batteries**"), energy storage system batteries ("**ESS batteries**"), and accompanied battery management systems ("**BMS**").

- ***Recycling.*** We have been constructing production facilities for our recycling and refurbishment business, which is intended to recover various components of batteries including raw materials and reuses them in the production of batteries.

We value greatly the importance of technological capabilities and have initiated various research and development projects across the battery value chain, particularly with respect to the production of in-house cathode materials and other core components, development of BMS, manufacturing of battery cells, modules and packs, energy storage and recycling and repurposing. As of March 31, 2022, we had registered 5,439 patents over the globe, 5,225 of which were registered in the PRC. For details, see "*—Raw Materials, Production and Quality Controls—Raw Materials and Suppliers*," "*—Our Cooperation with Volkswagen and other Business Partners*" and "*—Research and Development*."

Meanwhile, we also derive operating revenue from manufacturing and sales of electric power transmission and distribution equipment, which contributes a relatively small portion of our operating revenue.

Our Products and Applications

Our products comprise (i) batteries, particularly rechargeable lithium-ion batteries, and (ii) electric power transmission and distribution equipment.

Batteries

We mainly engage in the design, research and development, production and sales of rechargeable lithium-ion batteries used in electric vehicles and energy storage systems.

As a popular and cost-effective solution to energy storage, lithium-ion batteries have relatively higher power density, steadier voltage and longer battery life than most other battery models. We expect that greater manufacturing efficiencies and continued technology advancement will further drive down the cost of producing lithium-ion batteries per unit of stored energy, leading to decreases in battery pricing, thereby increasing the attractiveness of lithium-ion batteries and the demand for such products. Furthermore, stricter decarbonization regulations from government authorities globally are expected to further drive such demand. Accordingly, we believe that our lithium-ion battery business represents a significant growth opportunity.

Meanwhile, we are also researching and developing alternative solutions to our current portfolio of lithium-ion batteries, such as semi-solid flow batteries for EVs, of which we expect to commence the production by end of 2022. For details, see "*—EV Batteries*," "*—Research and Development*."

EV Batteries

We are one of the earliest corporations in China that develop, manufacture and commercialize lithium-ion EV batteries. We are committed to a customer-centric approach to deliver products that are high in safety, quality and performance. Our EV batteries are mainly applied to new energy passenger vehicles, commercial vehicles and special purpose vehicles.

The global EV battery market has been expanding rapidly due to the strengthening of fuel efficiency standards in many countries, government subsidies and economic incentives that support the purchase and use of electric vehicles, major advances in the electric vehicle technology and the increasing cost-competitiveness of electric vehicles compared to traditional internal combustion engine vehicles. Accordingly, we expect the demand for EV batteries to continually grow in the future.

Leveraging our strong in-house research and development and production capabilities, we design and manufacture a variety of EV battery products that meet our customers' key technical requirements, such as high energy densities, multiple charging cycles, fast charging and long lifespan. We have also achieved a high degree of flexibility in customizing battery products that suit the needs and design specifications of our OEM customers. According to the Frost & Sullivan Report, in 2021, we ranked fourth and eighth in the PRC and global EV battery markets in terms of installed capacity, respectively. In the same year, we ranked third in the PRC EV battery market in terms of number of installed vehicles.

We offer EV battery products in the form of battery cell, module and pack. A battery cell is the core and basic structural unit of an EV battery product, and a battery module is formed by compiling a certain number of these battery cells. Battery modules are further assembled into a battery pack, along with other control or protection systems such as battery management systems and cooling systems, before it is installed in electric vehicles.

Meanwhile, EV battery products used in electric vehicles generally take one of three major form types: cylindrical, prismatic and pouch types. Each of these types offers a set of advantages and disadvantages, including differences in mechanical stability, heat control and optimal use of space. While we produce all three types based on the design of battery packs and electric vehicles, we primarily focus on the prismatic type.

Prismatic cells consist of large sheets of anodes, separators, and cathodes that are sandwiched, rolled up, and pressed to fit into a metallic or plastic housing in cubic form. Prismatic cells' box-like shape enables optimal use of the available space when combining them into battery modules and packs. However, they are subject to higher possibility of damages near container corners, as well as more challenging heat control. We have developed various in-house techniques, such as anti-thermal runaway management in battery cells, and continually improved the sophistication of BMS in battery packs to ensure safety while maximizing the space efficiency of prismatic cells.

In terms of cathode materials, the majority of our EV batteries use lithium-iron-phosphate ("**LFP**"), while the rest generally uses nickel cobalt manganese oxide ("**NCM**"). As LFP batteries do not use nickel, cobalt and other precious metals, the price of which is subject to strong volatilities, their manufacturing cost is lower than that of NCM batteries (or ternary batteries). Meanwhile, LFP batteries generally have lower energy density but better safety properties than ternary batteries. In response to the disadvantages of the different types of cathode materials, we have carried out extensive research and development, particularly on increasing the energy density of LFP batteries and improving battery safety of ternary batteries. In particular, the energy density of our LFP single-cell battery has reached 210Wh/kg. We are also able to commercialize several ternary battery products with high safety properties and performance.

Some highlights of our EV battery products' applications are as follows:

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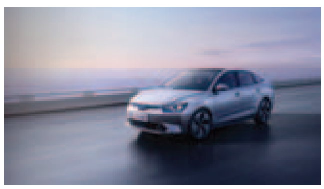</td>
<td>Passenger Vehicles

We are a major battery manufacturer of LFP batteries for passenger vehicles in the PRC market. Main representative passenger vehicles to which our batteries are applied include: SAIC-GM's Wuling Hongguang MINI EV, Geely Emgrand EV, Changan Auchan X7, WM E5, Leapmotor T03, JAC iEV7L, among other things.

Product highlights:

• High energy density: The energy density of a single cell can reach 210 Wh/kg, and it is planned to exceed 230 Wh/kg in the future, which has a leading market position

• High safety: The whole series has passed international safety performance requirements, with a relatively more reasonable structural design and more stable performance

• Long cycle life: The products have a 3,000 cycle life, a system life of more than 8 years and a lifespan of 1 million kilometers

• Wide temperature operating range: The products can operate normally between -30° to 60°</td>
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<td>Commercial Vehicles

We are the first battery manufacturer in the world to apply lithium-ion batteries to passenger coaches, according to the Frost & Sullivan Report.

Product highlights:

• High energy density: The products contain high capacity LFP battery cells grouped together, with an industry leading system energy density that is leading in the industry

• Lightweight design: The power battery packs adopts a lightweight design, which reduces the mass of the vehicles and provides better performance.</td>
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High safety: LFP battery cells are utilized to ensure high safety, long battery life and cost-effectiveness. The accompanying BMS provides adequate protection over the batteries
Liquid-cooled constant temperature technology: Latest liquid-cooled constant temperature technology is adopted, which reduces the temperature difference and ensures that the batteries work in the most suitable temperature range to enhance their durability
Wide temperature operating range: The products can operate normally between -30° to 55°. Low environment temperature may automatically trigger a heating function
BMS management performance optimization: Benefited from our BMS research achievements at the Silicon Valley research and development base, hardware and software systems have been optimized and upgraded, and performed well in charging management, heating controls and remote monitoring, among other things

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Specialized Vehicles

Our battery products accounted for over 20% of the PRC specialized vehicle market in 2021, according to the Frost & Sullivan Report.

Product highlights:

Lightweight design: The body adopts aluminum die casting, with a reliable structure, high stability and an aesthetic appearance
High safety: LFP battery cells are utilized to ensure high safety, long battery life and cost-effectiveness. The accompanying BMS provides adequate protection over the batteries
High energy density: The system has a large capacity for electricity, and the energy density of the battery system is greater than 135Wh/kg, with a cruising range of over 300km per charge
Wide temperature operating range: The products utilizes natural cooling and heating film technology, with a heating function, and can be used in a -30° environment
Liquid cooling system: The liquid cooling system can effectively improve the heat dissipation performance of the battery system for intense charge/discharge cycles, and enhance the cycle life of the batteries

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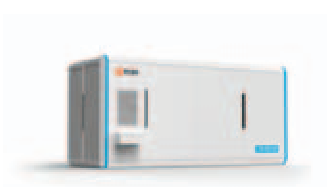
In addition, we are also researching and developing alternative solutions to our current portfolio of lithium-ion batteries, with the aim to introduce more technologically advanced and cost-effective battery products with higher efficiency and performance to the global battery market. For example, we have been developing our semi-solid flow batteries for EVs, and expect to start the production of our semi-solid flow batteries in the fourth quarter of 2022, and ramp up such production in 2023. For details, see "*—Research and Development*."

ESS Batteries

Our ESS battery products are used to store energy at various facilities, including power generation stations, base stations and factories, as well as households. We believe that the demand for ESS batteries has strong growth potential, as many countries continue to develop policies to promote the development of renewable energy sources and strengthen energy efficiency standards.

ESS batteries store electric energy for later consumption, improving energy efficiency and sustainability as well as the stability of power supply systems. They offer users flexibility in the way that they generate and use energy and are considered to be an important component for harnessing renewable energy sources. For example, an ESS battery can store surplus energy generated from photovoltaic panels or wind turbines to be used at a later time as an alternative to the electrical grid. Meanwhile, an ESS battery can store cheap off-peak electricity that can be used during peak hours to cut costs for commercial and residential users. As of March 31, 2022, most of our ESS batteries use LFP as cathode materials. Some highlights of our ESS battery products are as follows:

	**Standard Container of Energy Storage Systems** Product highlights: • The standard containers adopt advanced LFP battery and product manufacturing technology • The products are embedded with an intelligent temperature control system and an advanced thermal management system to maintain temperature balance, unaffected by the outside environment • The modular design and reasonable layout allows convenient maintenance • The products are easy to operate, equipped with an automatic security system and an intelligent user interface • Standard containers are easy to load, unload, transport and install • Standardized outlets are in place to allow easy and convenient connection

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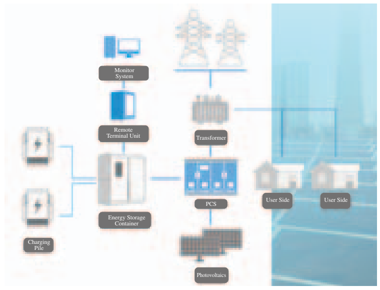
<td>
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Home Energy Storage System

Product highlights:

- The home energy storage system adopts advanced LFP battery and product manufacturing technology
- Intelligent and modular design enables support for expansion applications, making it easy to transport and integrate; the products can be place on a floor stand or mounted to the wall
- The products are easy to install and maintain, providing users with an independent, economical and clean energy system
- It can be widely used in households, small commercial areas, workplaces, uninterruptible power supply fields, areas with differences in peak and valley electricity prices, among other things.
- Users can remotely monitor through mobile app; the intelligent management system makes unattended operation possible

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Distributed Microgrid Energy Storage Outdoor Cabinet

Product highlights:

- The products adopt advanced LFP battery and product manufacturing technology
- The cabinet contains a standard liquid cooling box, embedded with high-efficiency liquid cooling technology
- The products are small in size, and easy install, maintain and transfer
- The products allow both grid-tied and off-grid modes, with a self-powered system, which can meet needs in areas without electricity
- The intelligent joint control fire protection system that comprises active and passive temperature controls and detection joint defense systems, can monitor on a real-time basis and gather and transmit accurate data
- The products are widely used in urban parks, buildings, communities, islands and remote areas without electricity

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Electric Power Transmission and Distribution Equipment

We manufacture and sell a wide spectrum of electric power transmission and distribution equipment, including high-voltage electrical apparatuses, high- and low-voltage switchgear sets, electrical digital equipment, intelligent equipment for distribution networks, mutual inductors, voltage transformers, circuit breakers, integrated charging piles, onboard chargers for electric vehicles and energy storage cabinets. Our products are widely applied to power generation (such as thermal power, hydropower, nuclear power and wind power), metallurgy, railroad and other industrial fields.

Customers, Sales and Distribution

Our major customers include OEMs of electric vehicles for our EV batteries, power generation corporations, power grid companies and base station suppliers for our ESS batteries, and industrial enterprises for our electric power transmission and distribution equipment. In 2019, 2020 and 2021, a substantial majority of our revenue was originated from the PRC, accounting for 99.6%, 97.7% and 94.9% of our total operating revenue, respectively. While our customers were mainly from the PRC, we have been actively expanding our overseas business in recent years. For details, see "*–Our Cooperation with Volkswagen and other Business Partners*."

We derived most of our operating revenue from the sales of our lithium-ion battery products, which represented 87.1%, 93.4% and 94.3% of our total operating revenue, respectively, in 2019, 2020 and 2021. The following table sets forth the total sales volume and unit price for our battery products in 2019, 2020 and 2021:

	As of and year ended December 31,		
	2019	2020	2021
Revenue *(RMB in millions)*	4,321.0	6,277.2	9,765.1
Sales volume *(Ah in millions)*	1,526.3	2,583.1	4,517.5
Unit price *(RMB/Ah)*	2.83	2.43	2.16

The unit price of our battery products decreased in 2019, 2020 and 2021, mainly due to decreases in raw material prices, which further affected the pricing terms of our customers with us. The price of raw materials bounced back in the latter half of 2021, and further increases in 2022.

In 2019, 2020 and 2021, revenue generated from our top five customers in aggregate represented 63.4%, 35.8% and 35.8% of our total operating revenue, respectively. During the same years, revenue attributable to our largest customer accounted for 23.2%, 9.2% and 8.5% of our total operating revenue, respectively. For risks relating to our limited number of customers, see "*Risk Factors—Risks Relating to Our Financial Aspects—We derive a majority of our operating revenue from a limited number of automotive manufacturers and any significant decrease in their order levels will negatively affect our business.*"

Batteries

EV batteries

We sell batteries directly to our customers, which are primarily PRC and overseas OEMs of electric vehicles including Shanghai-Automobile, Volkswagen, Ebusco, General Motors, Chery, CHANA, Great Wall Motor and JAC Motors. We proactively seek cooperation opportunities with OEM customers in developing lithium-ion EV batteries that are well-suited to their vehicle models. For details, see "*—Our Cooperation with Volkswagen and other Business Partners*." In addition, we may also obtain purchase orders from OEMs through commercial negotiations or a tender process.

We typically enter into long-term supply arrangements with OEM customers. Such arrangements require a complicated and time-consuming research and development process for us to tailor our products to, and in line with the technological requirements of, our customers. Once a manufacturing and standard operating procedure is agreed on, we become one of the few supplier of EV batteries for a particular electric vehicle model during its entire lifespan, typically between three and five years. Meanwhile, such arrangements generally do not establish fixed pricing or volume commitments for an extended period of time, as our customers will provide us with advance rolling forecast and issue purchase orders based on continual negotiations of price and volume. Our existing arrangements with our customers do not restrict us from entering into similar arrangements with other OEMs. We typically issue invoice after delivery of our products to customers and require payments within 60 days of the invoice date depending on the agreed payment terms.

Our OEM customers look for quality and timely delivery of products that meet their design specifications, and we believe that our close relationships with such customers enable us to better anticipate market trends and evolving customer needs. Becoming a qualified supplier of OEMs is challenging and time-consuming given the strict standards imposed by them for the production of EV batteries. As a core component of electric vehicles, EV batteries must be aligned with the specific needs of the electric vehicle models, and therefore the production and development of such batteries have to be done alone and must take into consideration the entire vehicle specification. Based on industry practice, only products that have passed OEMs' internal inspection and testing can be assembled into the corresponding vehicle model. Accordingly, it takes a substantial period of time from the initial development of an EV battery model to the sales and marketing of the relevant product. This process typically includes product design, trial production, sample testing, joint debugging and joint testing, national standard certification, product finalization, product review by the regulatory authorities, and finally, introduction of the product into the market. Generally, OEMs will not easily switch EV battery suppliers once the battery supplier becomes a qualified supplier and usually strive to establish a long-term and stable supply relationships with battery suppliers.

ESS Batteries

Our major customers for ESS batteries include power generation corporations, power grid companies and base station suppliers. ESS customers tend to focus on product safety and reliability and prefer to establish a long-term and stable supply relationship with battery suppliers.

ESS batteries are typically provided throughout the lifecycle of power projects. The duration of the supply agreements varies depending on the project scale, and may range from several months to a few years. We typically enter into framework agreements with our major customers and supply our products pursuant to purchase orders. We generally issue invoice after delivery of our products to customers and require payments within six to 12 months of the invoice date depending on the agreed payment terms.

Electric Power Transmission and Distribution Equipment

Our major customers for electric power transmission and distribution equipment are power grid companies and industrial enterprises. We typically go through a and bidding process in obtaining contracts with customers.

Raw Materials, Production and Quality Controls

Raw Materials and Suppliers

We purchase most of our raw materials directly from suppliers, while we also obtain certain raw materials through agents from overseas. The main raw materials used in our production of lithium-ion batteries includes cathode materials (such LFP and NCM materials), anode materials (such as graphite anode), separators and electrolytes, as well as copper foil, aluminum casing and N-Methyl-2-Pyrrolidone ("**NMP**"). We also purchase certain components for the manufacturing of our electric power transmission & distribution equipment, such as voltage transformers and switchgear.

We develop and produce cathode materials in-house for our battery production to save costs. We also intend to sell our cathode materials as a supplier to other battery manufacturers in the future to diversify our income streams. Other raw materials that we produce in-house include carbon coated aluminum foil and electrolyte. Moreover, in August 2021, we entered into an agreement with local governments of Yichun, Jiangxi province, the PRC, for mining and refining activities of lithium mines to support the production of battery grade lithium carbonate. We are also expected to jointly establish a refinery for battery grade lithium carbonate with a mining company in Argentina. For details, see "*—Our Cooperation with Volkswagen and Other Business Partners*." Moreover, we have commenced the construction of production facilities for manufacturing graphite anode in Hefei, Anhui province and Wuhai, Inner Mongolia autonomous region in the PRC.

Meanwhile, to minimize the potential for any interruptions to our operations due to supply of principal raw materials, we analyze market supply and demand, conduct forward planning and have made, and expect to continually make, strategic arrangements with top suppliers of raw materials, such as equity investments, joint ventures and long-term supply agreements.

We invest in multiple projects with a number of business partners from the upstream supply chain for purposes of securing the supply of principal raw materials. For example, we have jointly established production facilities with China Metallurgical Group Corporation and BYD Co., Ltd. to produce ternary precursor cathode materials in Tangshan, Hebei province. Additionally, we partner with Shenzhen Senior Technology Material Co., Ltd. in establishing joint venture to produce separators, and we have developed copper foil with Tongling Nonferrous Metals Group Co., Ltd.

We typically enter into long-term supply agreements or strategic cooperation agreements with our major suppliers, while each purchase is made through a purchase contract or order at a price that is determined based on the benchmark price of the relevant raw material. In principle we seek to have relationships with two or more suppliers for the same raw materials to satisfy our needs and to ensure the stable of raw materials. We also regularly evaluate the performance of suppliers, based on quality of raw materials and services, delivery, cost and environmental friendliness. Historically, we have not experienced any significant difficulties in obtaining raw materials to satisfy our production requirements.

In 2019, 2020 and 2021, purchases from our top five suppliers in aggregate represented 33.0%, 30.2% and 25.4% of our total purchases, respectively. During the same years, purchases attributable to our largest supplier accounted for 11.4%, 10.6% and 6.5% of our total operating revenue, respectively. For risks relating to our raw materials and suppliers, see "*Risk Factors—Risks Relating to Our Business and Industry—Our results of operations could be negatively impacted by fluctuations in the market price of raw materials and components, as well as any shortage or supply disruptions.*"

Production Facilities

We have established a network of production facilities in strategic locations of China to better serve our major geographic markets and target customers. The following table sets forth some information regarding our production facilities in the PRC as of May 31, 2022:

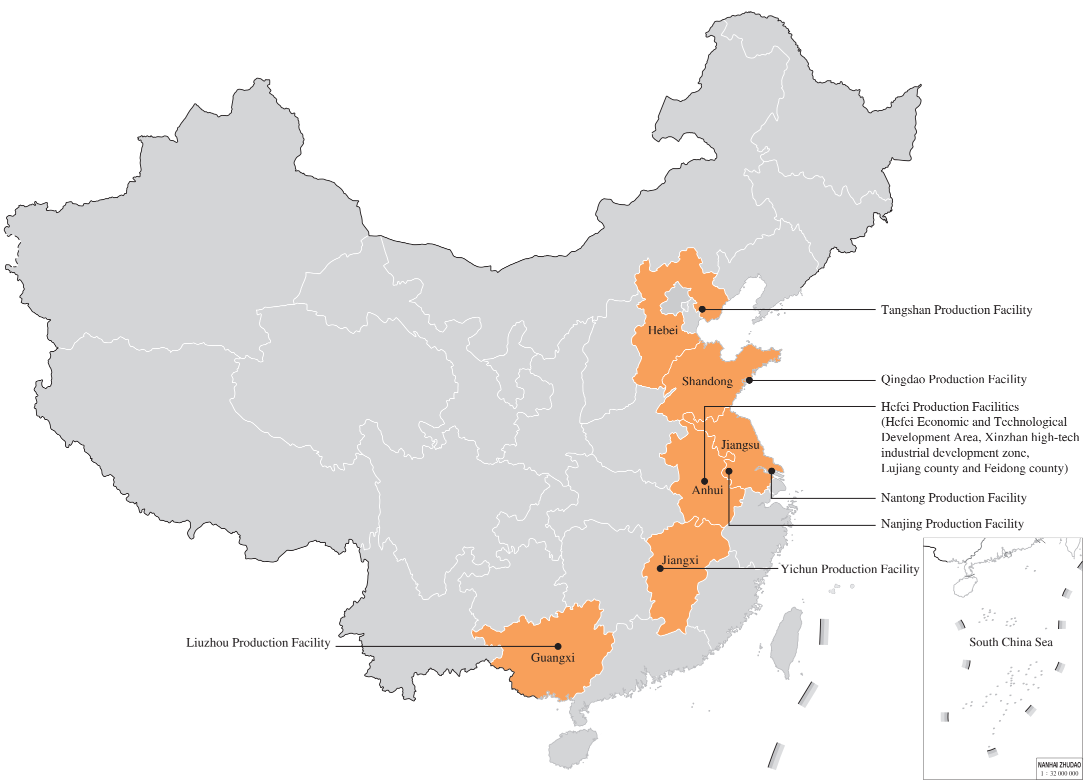
No.	Production facility	Year established	Primary products/activities	Annual designed production capacity as of May 31, 2022
1.	Lujiang county, Hefei, Anhui province	2015	Lithium iron phosphate	40,000 tonnes
		2018	High nickel ternary material	36,000 tonnes
		2017	Lithium titanate	1,000 tonnes
		2017	LFP battery cells and modules	7GWh
2.	Qingdao, Shandong province	2018	LFP battery cells and modules	3GWh
3.	Hefei, Anhui province (Xinzhan high-tech industrial development zone)	2016	LFP battery cells and modules	3GWh
4.	Tangshan, Hebei province	2017	LFP battery cells and modules	9GWh
5.	Nanjing, Jiangsu province	2015	LFP battery cells and modules	15GWh
6.	Nantong, Jiangsu province	2015	DC charging piles	10,000 units
			High voltage distribution box for vehicles	100,000 units
7.	Hefei, Anhui province (Hefei Economic and Technological Development Area)	2018	Ternary power battery cells, LFP battery cells and modules	8GWh
8.	Liuzhou, Guangxi province	2020	LFP battery cells and modules	5GWh

No.	Production facility	Year established	Primary products/activities	Annual designed production capacity as of May 31, 2022
9.	Yichun, Jiangxi province	2021	Mine excavation	230,700 tonnes
			Extraction of lithium carbonate	952 tonnes
10.	Feidong county, Hefei, Anhui province	2022[(1)]	Battery recycling	50,000 tonnes[(2)]

(1) The production facilities in Feidong county for battery recycling are expected to commence operations in July 2022. We are also constructing production facilities for producing electrolyte, which are expected to commence operations in December 2022.

(2) This annual designed production capacity is expected to be increased by another 50,000 tonnes pending completion of construction of phase II battery recycling production facilities in Feidong county, Hefei, Anhui province.

The following map illustrates the location of the ten production facilities:



We plan to continue investing in our production facilities and upgrading equipment and manufacturing processes to enhance production capacity, achieve additional economies of scale and support the development and production of new products. When making capital expenditure plans, we continually monitor and analyze the allocation of our resources in our operations, taking into account factors such as anticipated market demand, location of our key customers, and the cost of goods and labor, among other things. We believe that our expansion plan will benefit our business in terms of meeting the increased demand from our customers and expanding our market share. The following sets forth a list of our major capital expenditure projects in 2019, 2020 and 2021:

- Lithium-ion battery cell project with a 10GWh annual designed production capacity, lithium-ion battery pack project with a 10GWh annual designed production capacity and complementary project with a 10GWh annual designed production capacity and lithium carbonate production project in Yichun, Jiangxi province, the PRC;

- Power battery project with a 20GWh annual designed production capacity in Hefei, Anhui province, the PRC;

- Graphite anode material project with a 100,000 tonnes annual designed production capacity in Feidong county, Hefei, Anhui province, the PRC;

- Iron phosphate project with a 100,000 tonnes annual designed production capacity in Feidong county, Hefei, Anhui province, the PRC;

- Power battery project with a 10GWh annual designed production capacity in Liuzhou, Guangxi province, the PRC; and

- Power battery industrialization project with a 20GWh annual designed production capacity in Tongcheng, Anhui province, the PRC.

Our expected major capital expenditure projects as of March 31, 2022 included the unified cell project for Volkswagen Group with an annual production capacity of 20GWh, comprising 10GWh for ternary power batteries and 10GWh for LFP power batteries, in Xinzhan high-tech industrial development zone of Hefei, Anhui province, the PRC. The expected construction time of such project is around 16 months.

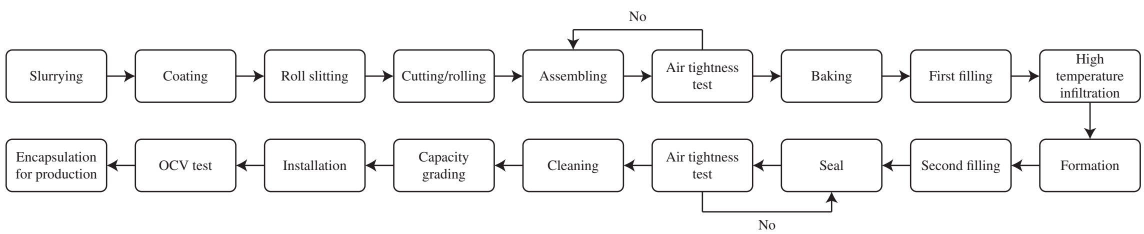
The following table sets forth certain information relating to production volume and sales volume of our lithium-ion battery products in 2019, 2020 and 2021:

	Year ended December 31,		
	2019	2020	2021
Production volume *(Ah in millions)*	2,521.9	2,235.8	4,618.0
Production volume *(GWh)*	8.1	7.2	14.8
Sales volume *(GWh)*	4.9	8.3	14.5

The decrease in our production volume in 2020 compared to 2019 was mainly due to the COVID-19 pandemic.

Production Process

The following flowchart illustrates the main production phases of our battery products:



Batteries

The production of our batteries consists of three stages: battery cell, battery module and battery pack. The following is a brief description of each stage:

(i) Battery Cells

A lithium-ion battery cell mainly comprises cathode and anode materials, electrolyte and separator. The cathode and anode are used for storing the lithium, while the electrolyte carries lithium-ions between the cathode and anode. The separator is a thin plastic filter that physically separate the cathode and anode, only allowing ions to pass through. Under a strictly controlled dust and humidity conditions in the manufacturing facilities, our production team inspects, mixes and stirs the raw materials in appropriate proportions for the production of positive and negative electrodes. After the cathode of the battery is coated on aluminum foil and the anode of the battery is coated in copper foil, the cathode and the anode are separated by a separator, wound up on a coil core and tested with heat, pressure, resistance and X-rays. The processed coil core is then heated up in a vacuum and finally filled and sealed in the metal shell. After a series of testing, the battery cells are classified and inspected before delivery to customers.

(ii) Battery Modules

A battery module may consist of a number of battery cells connected in series or parallel, and the number of different battery cells varies according to energy demand and voltage demand of the battery. The batteries are cleaned and paired with their respective side plates and other components required by each module, then assembled and welded together. Following this process, the side plates and the bottom plate are welded and assembled. After passing the internal resistance test on the insulator inside, the module is covered by top plates and delivered to the warehouse.

During the design process, we adopt topology and topography optimization. We conduct size optimization, thermal analysis and heat loss control at an early stage of the design process of the module. Additionally, we carry out impact and pressure tests during the design process to ensure safety of the final products. This ensures that our products are reliable, durable, safe and lightweight.

(iii) Battery Packs

The battery pack contains battery modules, electrical connections and cooling system. The contemplated modules are assembled with connectors and cooling system and installed into the respective shells with high and low voltage wires. After passing the tests on the cooling system and airtightness on the battery packs, the battery packs are delivered to the warehouse. The battery pack, as the highest level of the power unit, can be directly delivered and assembled into the specific vehicle models or energy storage systems.

Electric power transmission & distribution equipment

We design and produce electric power transmission and distribution equipment based on customized needs. We formulate the product structure and conduct product programming based on the customers' requirements, and then manufacture the equipment based on such product structure. After performing a series of tests on the end products, the equipment is then transported to the warehouse for delivery to the customers.

Quality Controls

We are committed to providing customers with quality and reliable products, while striving to continually improve customer satisfaction, enhancing our competitiveness and expanding market shares. Since 2019, we had not received any material complaints relating to product quality, and we had not experienced any fatal accidents due to product defects or recalled any products.

We have established a product safety and quality management system to implement the safety review, precise monitoring and early warning in all aspects of our products, from design to mass production. We also implement strict product safety and quality control measures to ensure the reliability of our batteries from the beginning of our product development stage, and the consistency of our products with the initial design. In particular, (i) the product center circulates the control parameter on product specifications, (ii) the engineering center controls and monitors the control parameter, (iii) the factory and construction department sets up a series of environmental parameter during the production process and monitors their compliance, (iv) the quality inspection center specifies the relevant quality control standards and inspect the technological parameter during the production process and (v) the operation center provides training to employees regarding quality controls.

Our dedicated quality control department is responsible for managing the full life cycle of product safety. It consists of a number of employees with master's or PhDs who have expertise in quality management. Some of them have many years of experience in quality management roles in automotive companies, or have obtained the IATF16949 quality system internal auditor qualification certified by TÜV Rheinland Group in Germany.

With our strong technical capability, we actively hosted and participated in the formulation of standards. As of March 31, 2022, we led and participated in the formulation of 45 standards, which include two international standards, 22 national standards, four industry standards, six local standards and 14 group standards. At the same time, we have obtained various certifications including the IATF16949 certification, ISO9001/IOS14001/ISO45001 certified by the China Quality Association, Certification by CNAS for our test center, ELV material certification certified by European Union, UN38.3 certification for lithium batteries transportation, The ISOTS16949 certification, CSA certification, TÜV certification, and Witness Laboratory Accreditation Certificate.

Inventory Management and Logistics

Our supply chain is coordinated to achieve synergy and allocation of resources among order placement, procurement management, product manufacturing, shipping and other processes. We manage and maintain inventory levels to ensure sufficient inventory to support production. We analyze and determine the ordering strategies according to the forecast supply, market analysis and the estimation of fluctuations in procurement period and procurement price. Based on such analysis, we will deduce and maintain a reasonable and safe inventory level in response to changes in customer demand and fluctuations of raw material prices. Our inventory turnover day in 2019, 2020 and 2021 was 235 days, 200 days and 135 days, respectively.

We also work with a number of well-established logistics companies for the delivery of our products. We typically enter into long-term service agreements with such companies and review and evaluate their performance regularly.

Our Cooperation with Volkswagen and Other Business Partners

We seek opportunities to enter into strategic cooperation with our key customers and suppliers in an effort to consolidate our position as a leader in the electric vehicle battery market. We believe that the strategic collaborations will strengthen our ability to optimize product design and supply chains, maintain product competitiveness and access new markets, products and technologies.

In May 2020, we signed share purchase and strategic cooperation agreements, among other things, with Volkswagen (China) Investment Co., Ltd. ("**Volkswagen China**"), Volkswagen's wholly-owned subsidiary in China, with the aim to create greater synergies between Volkswagen's electric vehicle business and our EV battery production. As of the date of this Prospectus, Volkswagen China directly held in aggregate approximately 26.47% of our total Shares in issue. See "*—Principle Shareholders*."

In July 2021, we and Volkswagen Group deepened our cooperation. The goals of our cooperation are to industrialize the planned battery cell production at the Salzgitter site of Volkswagen Group Components and to develop first use cases of application of the Volkswagen unified cell concept for the volume segment.

Our cooperation with Volkswagen has created substantial synergies. While we provide Volkswagen with quality battery products, advanced battery technology and assistance with their construction of EV production lines, Volkswagen shares with us management experience, market insights, establishment of quality controls and resources from the global battery supply chain. We believe such cooperation can improve our overall business performance and enhance our competitiveness in the global EV battery market.

In addition, we cooperated with a number of other business partners throughout the entire battery value chain, the details of which are as follows:

- In April 2022, we entered into a memorandum of understanding with the Jujuy Energía y Minería Sociedad Del Estado ("**JEMSE**"), pursuant to which we shall establish a battery grade lithium carbonate refinery jointly, and JEMSE shall provide exploration and mining rights for lithium minerals and supply raw materials, power, transport and land for the refinery.

- In December 2021, we entered into a supply and localization agreement with a US listed automobile company to supply LFP batteries of no less than 200GWh in total volume over a period of six years. While we expect to meet such demand by re-allocating some of our production capacity in the PRC, we may also expand production capacity through constructing new production facilities in the United States.

- In August 2021, we entered into a strategic cooperation agreement with VinFast to supply LFP batteries and offer relevant technical support, pursuant to which a joint venture shall be established that mainly focuses on manufacturing LFP batteries in Vietnam.

- In July 2021, we entered into a purchase agreement with Robert Bosch GmbH, pursuant to which we acquired 100% equity interests in a plant of Robert Bosch GmbH in Göttingen, Germany. We expected to refit the plant for the assembly of lithium-ion batteries, making it our first new energy production base in Europe; and in February 2019, we entered into a procurement agreement with Robert Bosch GmbH, pursuant to which we, as a qualified supplier, shall provide lithium-ion battery cells, modules and packs to Robert Bosch GmbH.

- In March 2020, we entered into a capital increase agreement with Tongling Nonferrous Metals Group Co., Ltd, pursuant to which we held 3.5% equity interest in Anhui Tongguan Copper Foil Group Co., Ltd., a manufacturer of copper crown and copper foil for lithium-ion batteries. We expect the capital increase could create synergy between both parties on an ongoing basis. Anhui Tongguan Copper Foil Group Co., Ltd. became listed on the Shenzhen Stock Exchange in January 2022.

- In May 2019, we entered an agreement with India Tata AutoComp Systems Limited to establish a joint venture that focuses on battery products for passenger vehicles and commercial vehicles. The cooperation is expected to benefit our overseas expansion.

Research and Development

We mainly compete in highly competitive global lithium-battery markets characterized by evolving industry standards, continual technological development and product innovation. Our competitiveness therefore significantly depends on our ability to develop products embedded with innovative and advanced technologies that meet evolving customer demand and preferences. Accordingly, we have made, and will continue to make, significant investments in research and development activities. Our total investments in research and development were RMB588.1 million, RMB695.7 million and RMB1,166.6 million, respectively, in 2019, 2020 and 2021, which accounted for 11.9%, 10.4% and 11.3% of our operating revenue for the same years.

We have a team of experienced engineers dedicated to research and development. We believe maintaining a dedicated and stable team of talents in research and development is crucial to the enhancement of our technology and our energy solutions. As of March 31, 2022, we had over 2,000 research and development personnel, over 700 of which had a master's degree or above, and more than 100 of which had overseas degrees. In addition, we have established talent cultivation and cooperation programs with Columbia University, Stanford University, Nanyang Technological University and other PRC and overseas universities.

Our primary research and development hub is our general engineering research institute located in Hefei, Anhui province founded since 2008, which integrates the development of battery products and battery material, production, technological support, testing and verification and information engineering management. Our general engineering research institute is further divided into a number of research and development institutes, mainly including the central academy of science, research platform institution, smart manufacturing institution, energy storage research institution, product project center, among others.

Meanwhile, we corporate with domestic and international well-known universities and scientific research institutions to promote the research and development of advanced battery technology. For example, in March 2017, we signed a strategic cooperation agreement with Columbia University to establish a joint laboratory that focuses on advance technology relating to EV battery. Other universities and scientific research institutions with which we maintained cooperative relationships include Chinese Academy of Sciences, University of Science and Technology of China, National University of Singapore, Nanyang Technological University, Massachusetts Institute of Technology, Argonne National Laboratory and Lawrence Berkeley National Laboratory. In addition, we worked closely with DENSO, Mitsui Chemicals, Scienlab and other overseas power battery supporting enterprises with regard to the research and development work on battery materials, battery cell to pack technology and BMS.

Apart from our general engineering research institute in Hefei, we have established or are in the process of establishing eight research and development bases, across China, the United States, Japan, Singapore, Germany and India. The research and development bases maintain close communication with our general engineering research institute, which apply advanced technologies to our products and manufacturing process. In particular, we acquired BASF electrolyte laboratory in the United States and its related patents in electrolyte in 2017 and founded our research and development in Cleveland. We also established a smart energy laboratory with Nanyang Technological University in 2018. The following table sets forth some details of our research and development bases that had been established as of March 31, 2022:

No.	Location	Year established	Primary research and development focus
1.	Hefei, Anhui province, PRC	2008	Material system development, battery product development, battery testing and verification and information engineering management
2.	Shanghai, PRC	2021	Product design, testing and verification and system integration

No.	Location	Year established	Primary research and development focus
3.	Silicon Valley, CA, US	2014	BMS, motor control system and vehicle control system
4.	Cleveland, OH, US	2017	Electrolyte technology
5.	Tsukuba, Ibaraki prefecture, Japan	2017	Development of solid-state batteries and other next-generation battery technology
6.	Singapore	2018	Battery material technology, EV technology and application of ESS battery products
7.	Gottingen, Germany	2022	Product development for the European markets

We are currently planning to build a research and development base in India, to develop products for the Indian market.

We have successfully developed a number of new products and technologies, as listed below:

- **LFP batteries:** The energy density of our single cell of LFP batteries has exceeded 210Wh/kg. We have developed in house our own LFP materials over the past few years, and continually enhanced our capabilities in chemical material compatibility. Meanwhile, we have optimized the battery structure and improved the performance and stability of LFP batteries through adoption of negative electrode film formation, lithium supplement, pre-lithiation and other technologies.

- **Nickel rich ternary batteries**: The energy density of our single cell of nickel rich ternary batteries has exceeded 300Wh/kg. With respect to next generation battery technology, the nickel rich ternary batteries developed by us are semi-solid batteries with strong adaptability to medium and high-end EV models. We use high-capacity silicon carbon and heat protection technology to continually improve the safety of the semi-solid battery cells to meet the needs of a longer cruising range.

- **Jellyroll to Module ("JTM") technology**: The JTM technology focuses on product design innovation, which integrates jellyrolls directly into the module without having to package it into cells. Redundant structural parts are removed from the battery modules to improve the energy density, and the flexibility in battery grouping enabled by this technology allows batteries to accommodate different forms and shapes. Standard batteries embedded with the JTM technology are revolutionary, as they have higher energy densities and improved manufacturing efficiency, with less manufacturing costs and energy consumption.

Intellectual Property

We depend on our proprietary technologies and production know-how to maintain our competitive position in the markets in which we operate, and we produce intellectual property through our extensive research and development activities, covering the whole battery value chain. Our general policy is to apply for patents on an ongoing basis, in China and other appropriate jurisdictions, on patentable developments that are considered to have commercial significance. Our portfolio of patents covers our proprietary technologies used in products as well as many aspects of our product design and manufacturing processes.

We seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patent, trademark, trade secret and other intellectual property laws in China and other countries. As of March 31, 2022, we had registered 5,439 patents (including 2,492 invention patents, 147 of which were registered in overseas jurisdictions, 2,565 utility model patents, and 382 design patents) and over 100 software copyrights. As of the same date, we had published 255 research papers globally, 23 of which were published in the SCI Journal and 147 of which were published in other major publications.

We require our research and development employees and many of our customers to enter into confidentiality agreements prohibiting them from disclosing our proprietary information or technology. In addition, we have developed internal policies to promote the development of inventions, ideas, discoveries, improvements and copyrightable materials by our employees and to compensate fairly employees who achieve such results arising from their employment with us.

Competition

We operate in the EV battery market, which is highly competitive and concentrated. According to the Frost & Sullivan Report, the top ten battery manufacturers accounted for approximately 92.4% and 92.5% of the total installed capacity of the PRC and global EV battery market in 2021, respectively. We generally compete with other large-scale lithium-ion battery manufacturers. We believe the most critical factors of success in the battery markets are technological innovation, mass production capabilities and competitive pricing. In addition, we compete primarily based on the product performance and safety, manufacturing efficiency, stable supplies of raw materials, precise consumer targeting, responsiveness to changes in customer needs and expansion of marketing and sales networks. In 2021, according to the Frost & Sullivan Report, we ranked fourth and eighth in the PRC and global EV battery markets in terms of installed capacity, respectively. In the same year, we ranked third in the PRC EV battery market in terms of number of installed vehicles.

To distinguish ourselves from our competitors, we have been dedicated to the optimization of technological innovation. We continually develop our research and development capabilities to ensure our products match the evolving needs of our customers. Meanwhile, we may face increasing competition from emerging companies that may significantly expand the scale of their operations. In addition, some of the manufacturers of electric vehicles have entered into the EV battery business on its own or through strategic partnership, which may also intensify competitive pressure among battery manufacturers in the future.

Environmental, Social and Governance ("ESG") Matters

We are committed to creating a long-lasting and positive environmental, social, and governance impact on our customers, business partners and the communities that our operations may affect. We believe the key to win trust from the society and public is to proactively perform our ESG responsibilities. We have set up a ESG management committee led by our chairman of the Board and general manager, Mr. LI Zhen. This committee is mainly responsible for overseeing and determining ESG related risks and opportunities in connection with our business, establishing and revising ESG policies, strategies and targets, and monitoring our execution accordingly.

Environmental Matters

We actively seek to engage in environmentally responsible management of our operations and to protect the environment from damage resulting from our operations. We have implemented a management system designed to promote environmental preservation in our operations. We have been continually enhancing the environmental friendliness of our products and comply with applicable regulations and environmental protection measures from purchase to use and disposal of battery-related chemicals. Furthermore, we offer trainings on environmental protection in relation to our production activities to our employees to increase their awareness.

We are committed to achieving carbon peaks and carbon neutrality. We have established and operated an energy management system in accordance with the ISO14001 standard. We have adopted a series of measures to continually reduce energy consumption and carbon emission in the process of our manufacturing operations. We establish measures to ensure that we avoid causing significant adverse impacts on the condition of surrounding soil, air and water, including manufacturing, trading or using chemicals and hazardous substances internationally banned due to their high toxicity to living organisms, environmental persistence, or potential irreversible ecological effects, or the emission of arsenic and mercury. In 2021, our CO_2 emissions totaled 1,134,680 tonnes, a decrease by 27,869 tonnes compared to 2020.

Our production activities are subject to the environmental laws and regulations in the PRC. These laws and regulations empower the relevant government authorities to require environmental permits and submission of periodic reports, impose fees, clean-up or other remedial actions and continuous compliance with their standards and requirements. The discharge of oil, gas or other pollutants into the air, soil or water in violation of relevant regulations may give rise to liabilities and may require us to incur costs to remedy the damage caused by such discharges. Furthermore, the PRC environmental laws may change in the future, which may require us to modify or curtail our production activities or make additional capital expenditures or may otherwise adversely affect our operations. See "*Risk Factors—Risks Relating to Our Business and Industry—Present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations*."

Occupational Health and Safety

Our operations are subject to the relevant PRC laws and regulations relating to employees' health and safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks that may cause damage to employees' health or company's property, and ensuring the health and safety of our employees and surrounding communities. Health and safety is a priority at all of our facilities. We have implemented a number of initiatives to create a safer workplace, including free health checks and psychological consultation services for employees, provision of safety protection gears and regular trainings of occupational health and safety. the establishment of an audit program to register and monitor all on-site safety activities and risks and conducting regular training programs for our employees.

In addition, we prohibit direct or indirect discrimination based on sex, disability and ethnic group, among other things, and are committed to ensuring equal and fair treatment of opportunities in employment and work.

Corporate Social Responsibility

We continually participate in various social responsibility activities. We donated money and supplies to a number of causes including aiding employees with economic hardship, fighting the flood disaster and the COVID-19 pandemic, helping underprivileged minors in rural areas, and organizing educational charity activities, among other things.

Insurance

We believe that the current scope and coverage of our insurance is consistent with levels that are customary in our industry. We hold insurance policies including property all risks insurance. In addition, each of our subsidiaries has secured such additional customary or legally mandated insurance coverage as required by their respective jurisdictions. There can be no assurance, however, that we will not incur losses or suffer claims beyond the limits, or outside the relevant coverage, of our insurance policies. See "*Risk Factors—Risks Relating to Our Business and Industry—We may be subject to risks associated with EV batteries and other products and we may not have adequate insurance to cover against such claims. At the same time, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed*."

Employees

As of December 31, 2021, we had 11,410 full-time employees. The table below sets forth a breakdown of our employees by function as of December 31, 2019, 2020 and 2021:

	As of December 31,		
Function	**2019**	**2020**	**2021**
Production	4,460	4,110	6,078
Marketing and sales	232	243	251
Research and development and technics	1,959	2,093	3,598
Finance	212	93	146
Administration	1,084	1,278	1,337
Total	**7,947**	**7,817**	**11,410**

As of December 31, 2021, substantially all of our employees were based in the PRC, while we also had a few employees based overseas.

Our employees comprise highly trained workers and professionals from various fields and academic backgrounds, such as chemistry, chemical engineering, mechanical engineering, finance and economics, information technology and sales and marketing, many with extensive knowledge and experience in EV batteries. As of December 31, 2021, 0.8% of our employees had a doctor's degree or above, 8.9% had a master's degree and 21.8% had a bachelor's degree.

We believe that our professional workforce is the foundation of our long-term growth. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives and continually refine our remuneration and incentive polices through market research. We primarily recruit our employees in

China through internal references and recommendations and online channels. We also provide a robust training program for new employees and regular and specialized trainings to all employees tailored to their specific function.

We provide our employees with basic pension scheme, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing providence funds in accordance with relevant PRC laws and regulations. We pay great attention to our employees' welfare, and continually improve our welfare system.

We enter into standard agreements regarding confidentiality and non-competition with most of our senior management members and key employees. We require certain of such senior management members and key employees to comply with the non-competition provisions during and up to two years after termination of their employment with us on a case by case basis.

Properties

The following table provides an overview of our material properties and their main activities:

Location	Owned/leased	Main activities	GFA (sq.m.)
Shanghai, the PRC	Owned	Office	2,075
Nanjing, Jiangsu province, PRC	Owned	Manufacturing	28,235
Lujiang county, Hefei, Anhui province, PRC	Owned	Manufacturing	77,838
Hefei, Anhui province, PRC	Owned	Manufacturing	67,260
Hefei, Anhui province, PRC	Owned	Manufacturing, warehouse, employees housing	60,959
Suzhou, Jiangsu province, PRC	Owned	Manufacturing	20,166
Nantong, Jiangsu province, PRC	Owned	Manufacturing	111,054
Yichun, Jiangxi province, PRC	Owned	Manufacturing	45,205

Licenses and approvals

As of March 31, 2022, we had obtained all material licenses, approvals and permits required for our business operations in the PRC, and such licenses, approvals and permits had remained in full effect. The table below sets forth details of our material licenses and permits:

No.	Entity	Name of the license, approval or permit	Expiry date
1.	Hefei Gotion High-tech Power Energy Co., Ltd.	Pollution Discharge Permit	November 6, 2022
2.	Hefei Gotion High-tech Power Energy Co., Ltd.	Radiation Safety Permit	April 20, 2026
3.	Nanjing Gotion Battery Co., Ltd.	Pollution Discharge Permit	September 18, 2022
4.	Qingdao Gotion Battery Co., Ltd.	Pollution Discharge Permit	October 29, 2022
5.	Qingdao Gotion Battery Co., Ltd.	Radiation Safety Permit	July 29, 2023
6.	Tangshan Gotion Battery Co., Ltd.	Pollution Discharge Permit	November 12, 2022

No.	Entity	Name of the license, approval or permit	Expiry date
7.	Tangshan Gotion Battery Co., Ltd.	Radiation Safety Permit	September 13, 2023
8.	Hefei Gotion Battery Co., Ltd.	Pollution Discharge Permit	November 14, 2026
9.	Hefei Gotion Battery Co., Ltd.	Radiation Safety Permit	June 3, 2026
10.	Gotion New Energy (Lujiang) Co., Ltd.	Pollution Discharge Permit	November 20, 2022
11.	Gotion New Energy (Lujiang) Co., Ltd.	Radiation Safety Permit	July 17, 2024
12.	Hefei Gotion Battery Material Co., Ltd.	Pollution Discharge Permit	December 18, 2022
13.	Liuzhou Gotion Battery Co., Ltd.	Pollution Discharge Permit	January 17, 2027
14.	Liuzhou Gotion Battery Co., Ltd.	Radiation Safety Permit	March 3, 2027
15.	Nanjing Gotion New Energy Technology Co., Ltd.	Radiation Safety Permit	May 9, 2024
16.	Yichun Gotion Mining Co., Ltd.	Radiation Safety Permit	December 12, 2026
17.	Jiangsu Gotion New Energy Technology Co., Ltd.	Radiation Safety Permit	March 2, 2027
18.	Jiangsu Dongyuan Electrical Group Co., Ltd.	Fixed Pollution Discharge Registration Receipt	March 18, 2025
19.	Nantong Asitong Electric Appliance Manufacturing Co., Ltd.	Pollution Discharge Permit	April 27, 2023
20.	Nantong Gotion New Energy Technology Co., Ltd.	Fixed Pollution Discharge Registration Receipt	April 6, 2025
21.	Yichun Kefeng New Material Co., Ltd.	Pollution Discharge Permit	April 14, 2027
22.	Yifeng Huali Mining Development Co., Ltd.	Fixed Pollution Discharge Registration Receipt	July 18, 2026
23.	Yifeng Huali Mining Development Co., Ltd.	Mining License	August 29, 2023

See also "*Risk Factors—Risks Relating to Our Legal Aspects—We may experience delays in obtaining the relevant PRC and overseas governmental approvals, licenses or permits for our new construction/expansion projects.*"

Court, Arbitral and Administrative Proceedings

We are, from time to time, party to court, arbitral and administrative proceedings arising in the ordinary course of our business operations. As of the date of this Prospectus, we are not involved in any court, arbitral or administrative proceedings which we believe may be of material importance to our assets and liabilities or profits and losses nor, so far as we are aware, are any such proceedings pending or threatened. For certain risks associated with court, arbitral and administrative proceedings, see "*Risk Factors—Risks Relating to Our Legal Aspects—We are a party and may become a party to various legal proceedings arising in the normal course of business or otherwise, which could be material to our business and reputation.*"

Overview

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out: (i) an introduction to the major PRC government authorities with jurisdiction over our current operations; and (ii) a summary of the major laws, regulations and policies to which we are subject.

Principal Regulatory Authorities

Our Company is mainly engaged in the development, production and sales of lithium EV batteries and power transmission and distribution equipment, and is subject to the supervision of the National Development and Reform Commission (the "**NDRC**"), the Ministry of Industry and Information Technology of the PRC (the "**MIIT**") and the State Administration for Market Regulation (the "**SAMR**").

The main functions undertaken by the NDRC include: formulating and implementing strategies on national economic and social development, medium and long-term development plans and annual plans, coordinating economic and social development, working on the coordination and solution of major economic concerns and adjusting economic operation.

The main functions undertaken by the MIIT include: drawing up new industrialization development strategies and policies; formulating and implementing industrial planning, plans and policies, including the regulations for the industries of EV battery and power transmission and distribution equipment; monitoring and analyzing the trend of operation of industrial sectors; and conducting surveys and publishing the relevant information; formulating and implementing the policies on industrial energy conservation and comprehensive utilization of resources and promotion of clean production.

The SAMR is mainly responsible for the technical supervision of the industry, including the quality monitoring and standardization of electrical equipment products.

Industrial Polices

Domestic industrial development mainly follows the relevant industrial structure guidelines proposed by the NDRC. Foreign investors and foreign-invested enterprises investing in China shall comply with the *Catalog of Industries for Encouraging Foreign Investment (2020 edition)* (the "**Catalog**") (《鼓励外商投资产业目录(2020年版)》), which was promulgated by the NDRC and the Ministry of Commerce of the PRC ("**MOFCOM**") on December 27, 2020 and took effect on January 27, 2021. Pursuant to the Catalog, the manufacturing of EV battery involved in our Company's operation falls within the scope of industries in which foreign investment is encouraged.

According to the *Guiding Catalog for Industrial Restructuring* (《产业结构调整指导目录》), which was promulgated by the NDRC on December 2, 2005, with the latest amendment on December 30, 2021, and was effective on December 30, 2021, new primary EV batteries including lithium-iron disulfide (Li-FeS2) batteries and lithium thionyl chloride (LiSOCl2) batteries, new batteries including lithium-ion batteries, nickel-hydrogen batteries, sealed lead-acid batteries with new structures (including bipolar, horizontal, coiled and tubular); lead-carbon batteries, super batteries, fuel cells, lithium/carbon fluoride batteries and supercapacitors; high-voltage vacuum components and switching equipment, intelligent medium-voltage switching components and complete sets of equipment, insulated switch cabinet using the environment friendly medium-voltage gas, intelligent (communication) low-voltage electrical appliances, amorphous alloy, coil core and other energy-saving distribution transformers fall into the state-encouraged industries.

According to the *Guiding Catalog for Key Products and Services for Strategic Emerging Industries* (《战略性新兴产业重点产品和服务指导目录》) promulgated by the NDRC on January 25, 2017 and came into effect on the same date, packet assemblers and offline testing equipment dedicated for lithium-ion battery cells, modules and systems; supercapacitor cells, modules and systems; new system EV batteries cells, modules and systems; hybrid energy storage power modules and systems; modular nickel-metal hydride battery ESS; battery management systems, super capacitor management systems; electromechanical coupling systems, EV battery systems, high-voltage wiring harnesses and other components; packet assemblers for fuel cell system; automobile-specific final assembly equipment; and recycling of used new energy vehicle EV batteries; intelligent power transmission, distribution and control equipment are key products and services for strategic emerging industries.

According to the *Notice of the 14th Five-Year Plan for Circular Economy Development* (《"十四五"循环经济发展规划的通知》) issued by the NDRC on July 1, 2021, in order to vigorously develop circular economy, promote resource conservation and intensive use, and build a resource recycling industrial system and recycling system of waste materials, the establishment of the traceability management platform for the EV batteries of NEVs shall be strengthened, and the traceability management system for the recycling and reusing of the EV batteries of NEVs shall be improved.

According to the *Guiding Opinions on Accelerating the Development of New Energy Storage* (《关于加快推动新型储能发展的指导意见》) jointly promulgated by the NDRC and the National Energy Administration on July 15, 2021, the PRC will strive to build a clean, low-carbon, safe and efficient energy system, and seek to drive down the cost and advance the commercial-scale application of more mature new energy storage technologies such as lithium-ion batteries, in an effort to achieve carbon peak and carbon neutrality. By 2025, it will realize the transition from the early stage of commercialization to scale development of new energy storage such as lithium-ion batteries. By 2030, it will realize the full market-oriented development of new energy storage, and new energy storage will become one of the key supports for carbon peak and carbon neutrality in the energy sector.

Company Law

According to the *PRC Company Law* (《中华人民共和国公司法》) implemented by the Standing Committee of the National People's Congress (the "**SCNPC**") on December 29, 1993 and recently amended, passed and came into effect on October 26, 2018, both of limited liability companies and joint stock limited companies established in the PRC have the status of legal persons. The liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of capital they have contributed or shares they have subscribed for. The PRC Company Law also applies to foreign-invested enterprises. Where laws on foreign investment have other stipulations, such stipulations shall apply.

Laws and Regulations Relating to Foreign Investment

According to the *Foreign Investment Law of the PRC* (《中华人民共和国外商投资法》) implemented by the Nation People's Congress ("**NPC**") on March 15, 2019 and came into effect on January 1, 2020, China implements the pre-entry national treatment and the Negative List management system to foreign investments. The pre-entry national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the Negative List refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the Negative List.

Foreign Investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, it shall be administered under the principle of equal treatment to domestic and foreign investment. The State establishes a foreign investment information reporting system.

According to the *Measures for the Reporting of Foreign Investment Information* (《外商投资信息报告办法》) promulgated by the MOFCOM and the SAMR on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign-invested enterprises shall submit investment information in a timely manner, follow the principles of truthfulness, accuracy and completeness, and shall not make false or misleading reports or material omissions. Where a foreign-invested enterprise invests (including multi-level investment) to establish an enterprise in the PRC, the relevant information shall be pushed by the market supervision department to the competent department in charge of commerce after the registration and filing with the market supervision department and the submission of the annual report information, and no need to submit such information separately.

The *Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 edition)* (《外商投资准入特别管理措施(负面清单)(2021年版)》) (the "**Negative List**") was promulgated by the NDRC and the MOFCOM on December 27, 2021 and came into effect on January 1, 2022, it sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Policies and Regulations Relating to EV Battery, Power Transmission and Distribution Equipment

According to the *Action Plan for Carbon Dioxide Peaking Before 2030* (《2030年前碳达峰行动方案》) promulgated by the State Council and became effective on October 24, 2021, China will focus on the implementation of "Ten Major Peaking Carbon Dioxide Emissions Actions", such as the actions for energy transition, energy saving and carbon reduction, and low-carbon transportation. Among which, the actions related to the EV battery and energy storage mainly include: (1) in terms of the action for energy green and low-carbon transition, China will speed up the construction of new electric power systems, actively develop the "new energy + energy storage" model, promote coordination of power source-grid-load-storage, use multiple energy sources to supplement each other, support the deployment of appropriate ESS for distributed new energy sources, and accelerate the broad demonstration and application of new types of energy storage. By 2025, installed capacity of new types of energy storage will reach 30 gigawatts or more; (2) in terms of the action for energy saving, carbon emission mitigation and efficiency improvement, China will strengthen energy conservation and carbon reduction in new types of infrastructure by employing models including DC power supply, distributed energy storage, and "solar + storage" mode, making explorations into diversified energy supply; (3) in terms of the action for promoting green and low-carbon transportation, China will promote low-carbon transformation of transportation vehicles and equipment and vigorously promote new-energy vehicles, while gradually reducing the proportion of cars that run on traditional oil-based fuels in new car sales and car ownership. By 2030, the share of incremental vehicles fueled by new and clean energy will reach around 40%.

According to the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full And Faithful Implementation of the New Development Philosophy* (《关于完整准确全面贯彻新发展理念做好碳达峰碳中和工作的意见》) promulgated by the Central Committee of the Communist Party of China and the State Council and became effective on September 22, 2021, it expressly stipulates that, in order to achieve the main objectives of carbon peak and carbon neutrality as scheduled, China will accelerate the building of a clean, low-carbon, safe and efficient energy system; speed up the construction of a low-carbon transportation system, optimize the transportation structure, and continue to reduce transportation energy consumption and carbon dioxide emission intensity, promote energy-saving and low-carbon transportation, guide low-carbon way of travel; strengthen key green and low-carbon technological research and promotion and application, carry out research on low-carbon, zero-carbon, carbon negative and new energy storage materials, and strengthen the research, demonstration and industrial application of new energy storage technologies such as electrochemistry.

According to the *Outline of the Fourteenth Five-Year Plan for National Economic and Social Development of the PRC and the Long-Range Objectives for 2035* (《中华人民共和国国民经济和社会发展第十四个五年规划和2035年远景目标纲要》) approved by the NPC and became effective on March 11, 2021, China will promote the safe and efficient use of clean, low-carbon energy, and deepen low-carbon transformation in areas including industry, construction and transportation, focus on strategic emerging industries such as NEVs, accelerate the innovation and application of key core technologies, build a modern energy system, and accelerate the construction of pumped-storage power stations and the large-scale application of new energy storage technologies.

According to the "*Planning for the Development of the New Energy Automobile Industry (2021-2035)*" (《新能源汽车产业发展规划(2021–2035年)》) promulgated by the General Office of the State Council and came into effect on October 20, 2020, Chinese new energy vehicle industry has entered a new stage of accelerated development. It is clearly mentioned that the implementation of battery technology breakthroughs will promote various programs such as the development of the full value chain of EV battery, the construction of a high-efficiency EV battery recycling system, and the acceleration of the promotion of EV battery recycling legislation. By 2025, the competitiveness of China's new energy vehicle market will be significantly enhanced, with the sales volume of NEVs reaching about 20% of the total sales volume of new vehicles.

According to the *Action Plan for Promoting the Development of the Automotive EV Battery Industry* (《促进汽车动力电池产业发展行动方案》) promulgated by the MIIT, the NDRC, the Ministry of Science and Technology (the "**MOST**") and the Ministry Of Finance

(“**MOF**”) on February 20, 2017, the development of EV battery in China is promoted in three stages: In 2018, the Country will improve the cost performance of existing products to ensure the supply of high-quality battery. In 2020, we will achieve large-scale application of a new generation of lithium-ion EV battery based on the improvement of existing technologies. In 2025, we will adopt new battery systems based on new chemical principles and strive to achieve technological changes and development testing.

According to the *Interim Measures for the Management of Recycling and Use of Power Storage Batteries for New Energy Vehicles* (《新能源汽车动力蓄电池回收利用管理暂行办法》) promulgated by the MIIT, the MOST, former Ministry of Environmental Protection, Ministry of Transportation, the MOFCOM, former General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the “**QSIQ**”, currently known as the SAMR) and National Energy Administration on January 26, 2018 and became effective on the same date, vehicles manufacturers shall establish recycling channel for power storage batteries, to recycle wasted power storage batteries generated from the use and retirement of NEVs. Vehicles manufacturers shall establish recycling network, responsible for the collection, storage of the wasted and used power storage batteries and transferring them to its partnered enterprises. Vehicles manufacturers, batteries manufacturers, retired vehicles recycling and dismantling enterprises and comprehensive utilization enterprises are encouraged to jointly build and share recycling channel for wasted power storage batteries through various means.

According to the *Interim Provisions on Traceability Management of Traction Battery Recycling for New Energy Vehicles* (《新能源汽车动力蓄电池回收利用溯源管理暂行规定》), which was issued by the MIIT on July 2, 2018 and effective from August 1, 2018, the “Integrated Management Platform for National Monitoring of New Energy Vehicles and Traceability of Traction Battery Recycling and Utilization” (新能源汽车国家监测与动力蓄电池回收利用溯源综合管理平台) shall be established to collect information on the whole lifecycle of traction battery production, sales, use, disposal, recycling and utilization, and to monitor the fulfillment of the responsibility of battery recycling and utilization by the subjects of each link.

According to Requirements of the *Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of New Energy Vehicles* (《新能源汽车废旧动力蓄电池综合利用行业规范条件》) and *Interim Measures for the Administration of the Announcement of the Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of New Energy Vehicles* (《新能源汽车废旧动力蓄电池综合利用行业规范公告管理暂行办法》) promulgated by the MIIT on December 16, 2019 and became effective on the same date, enterprises that carry out echelon recovery or recycling recovery of wasted power storage batteries of NEVs shall follow the principle of echelon recovery first, and then recycling recovery to improve the comprehensive utilization according to the national and industrial standards and technical information such as dismantling, disassembling and historical data of power storage batteries provided by new energy vehicle manufacturers and other manufacturers. Established new energy vehicle manufacturers and EV batteries manufacturers are encouraged to participate in new comprehensive utilization projects.

Laws and Regulations Relating to Production Safety

According to the *Production Safety Law of the PRC* (《中华人民共和国安全生产法》) latest amended by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, an enterprise shall: (i) provide production safety conditions as stipulated in

Production Safety Law of the PRC and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a production safety management institution or be equipped with dedicated production safety management personnel. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meet the national or industry standards and supervise and train them to use such equipment.

According to the *Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Facilities of Construction Projects* (《建设项目安全设施"三同时"监督管理办法》) promulgated by the former State Administration of Work Safety (currently known as the Ministry of Emergency Management) on December 14, 2010 and amended on April 2, 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use in production simultaneously with the main body of the project. The enterprises shall demonstrate and pre-assess the safety conditions of its construction projects, make a safety design chapter, submit to the relevant work safety administrative department for examination or filing, and apply to the work safety administrative department for the completion and acceptance or the filing of its projects. If an enterprise violates the relevant requirements, it may be warned and be ordered to make corrections within a specified time limit. Failure to make correction within the specified time limit may result in the enterprise being ordered to discontinue the construction process or suspend its production and business operation for rectification, and being imposed a fine.

Laws and Regulations Relating to Radiation Safety

According to the *Law of the PRC on Prevention and Control of Radioactive Pollution* (《中华人民共和国放射性污染防治法》) promulgated by the SCNPC on June 28, 2003 with effect from October 1, 2003, an entity producing, selling or using radioisotope and ray devices shall, in accordance with the relevant provisions of the State Council on prevention of radioactivity from the radioisotope and ray devices, apply to obtain a permit, and make registration accordingly. An entity producing, selling, using or storing radioactive sources shall set up a sound and safe security system, designate special person to be responsible for the system, ensure the implementation of the system of liability for safety, and formulate the necessary measures for addressing emergencies in accidents.

According to the *Regulations on the Security and Protection of Radioisotope and Radioactive Ray Devices* (《放射性同位素与射线装置安全和防护条例》), which were promulgated by the State Council on September 14, 2005 and revised on July 29, 2014, and March 2, 2019, and *Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment* (《放射性同位素与射线装置安全许可管理办法》), which were promulgated by the former Ministry of Environmental Protection on January 18, 2006 and last amended on January 4, 2021, stipulate that any entity producing, selling or using radioisotopes or radiation-emitting devices of different categories shall obtain a radiation safety license.

Laws and Regulations Relating to Product Quality

According to the *Product Quality Law of the PRC* (《中华人民共和国产品质量法》) (the "**Product Quality Law**"), promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 by the SCNPC, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (ii) criminal liabilities if the illegal activity constitutes crime.

According to the *Civil Code* (《民法典》), if defective products are identified after they have been put into circulation, the manufacturers or the sellers shall take remedial measures such as issuance of a warning, alerts, calls and recall of products in a timely manner. In the event of damage arising from a defective product or the failure to take timely remedial actions, the infringed party may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation of the victim. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

Laws and Regulations Relating to Environmental Protection

According to the *Environmental Protection Law of the PRC* (《中华人民共和国环境保护法》) ("**Environmental Protection Law**") promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and implemented on January 1, 2015, the *Law of the PRC on Environmental Impact Assessment* (《中华人民共和国环境影响评价法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, the *Regulations on the Administration of Environmental Protection for Construction Project* (《建设项目环境保护管理条例》) promulgated by the State Council of the PRC on November 29, 1998 and came into effect on November 29, 1998, amended on July 16, 2017 and implemented on October 1, 2017, *Administration Regulations on Record-filing* *of the Environmental Impact Registration Forms of Construction Projects* (《建设项目环境影响登记表备案管理办法》) promulgated by former Ministry of Environmental Protection of PRC on November 16, 2016 and came into effect on January 1, 2017, the *Interim Measures on Environmental Protection Acceptance of Construction Projects* (《建设项目竣工环境保护验收暂行办法》) promulgated by former Ministry of Environmental Protection of PRC on November 20, 2017 and effective on November 20, 2017 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through the environmental impact assessment procedure accordingly. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment while those projects which have less severe environmental impact are required to prepare an environmental impact report regarding analysis or specific assessment of the environmental impacts, and those projects which have slight impact on the environment are not required to conduct environment impact assessment but need to complete the environmental impact registration form.

Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects for which an environmental impact report or an environmental impact report form is prepared can only be put into operation after the acceptance of environmental protection facilities. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions promulgated by the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities which have breached the environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

Air Pollution

According to the *Atmospheric Pollution Prevention and Control Law of the PRC* (《中华人民共和国大气污染防治法》) promulgated by the SCNPC on September 5, 1987 and recently amended on October 26, 2018, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. Construction projects which have an impact on the atmospheric environment shall conduct the environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Solid Waste

According to the *Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes* (《中华人民共和国固体废物污染环境防治法》) promulgated by the SCNPC on October 30, 1995, recently amended on April 29, 2020 and implemented on September 1, 2020, construction projects where solid wastes are generated or projects for storage, utilization or disposal of solid wastes shall be subject to environmental impact assessment. Facilities for the prevention and control of solid wastes are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid wastes have been inspected and accepted by the competent environmental protection administrative authorities.

Water Pollution

According to the *Water Pollution Prevention and Control Law of the PRC* (《中华人民共和国水污染防治法》) promulgated by the SCNPC on May 11, 1984, recently amended on June 27, 2017 and implemented on January 1, 2018, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. From January 1, 2018, water pollution prevention facilities are required to be complied with the requirements in the environmental impact report approved by and filed with the competent authorities.

Noise Pollution

According to the *Law of the PRC on Prevention and Control of Pollution From Environmental Noise* (《中华人民共和国环境噪声污染防治法》) promulgated by the SCNPC on October 29, 1996, amended on December 29, 2018 and implemented on December 29, 2018, construction, renovation or expansion projects must conform to the regulations of environmental protection. Where a construction project might cause environmental noise pollution, the enterprises undertaking the project must prepare an environmental impact report which includes the measures it takes to prevent and control such noise pollution, and submit it, following the procedures prescribed by the State, to the competent administrative department for environmental protection for approval. Facilities for prevention and control of environmental noise pollution must be designed, constructed and put into use simultaneously with the main part of a construction project.

Environmental Protection Tax Law

According to the *Environmental Protection Tax Law of the PRC* (《中华人民共和国环境保护税法》) promulgated by the SCNPC on December 25, 2016, amended on October 26, 2018 and implemented on the same day, and the *Regulations for the Implementation of the Environmental Protection Tax Law of the PRC* (《中华人民共和国环境保护税法实施条例》) came into effect on January 1, 2018, (i) enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment within the territory of the PRC and other sea areas under the jurisdiction of the PRC are taxpayers of environmental pollution tax, and shall pay environmental pollution tax in accordance with the aforementioned laws and regulations, (ii) the *Administrative Regulations on the Collection and Use of Pollutant Discharge Fees* (《排污费徵收使用管理条例》) was repealed and no more pollutant discharge fees shall be collected. According to the Environmental Protection Law, in the event that an entity discharges pollutant in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

Laws and Regulations Relating to Import and Export of Goods

According to the *Foreign Trade Law of the PRC* (《中华人民共和国对外贸易法》) promulgated by the SCNPC on May 12, 1994, recently amended on November 7, 2016, foreign trade operators engaged in goods or technology import and export are required to go through the record-filing registration procedures with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that are not required to complete the record-filing registration as prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. Where a foreign trade operator fails to go through the record-filing registration formalities according to relevant provisions, the Customs are entitled to refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

According to the *Administrative Provisions on the Registration of Customs Declaration Entities of the PRC* (《中华人民共和国海关报关单位注册登记管理规定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, recently amended on May 29, 2018 and effective on July 1, 2018, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. In accordance with the *Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC* (《中华人民共和国海关报关单位备案管理规定》) published by the General Administration of Customs of the PRC on November 19, 2021, and effective as of January 1, 2022, customs declaration entities mean consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these Provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators. The *Administrative Provisions on the Registration of Customs Declaration Entities of the PRC* (《中华人民共和国海关报关单位注册登记管理规定》) was repealed simultaneously.

Laws and Regulations Relating to Labor, Social Insurance and Housing Provident Fund

Labor Contract

According to the *Labor Law of the PRC* (《中华人民共和国劳动法》) promulgated by the SCNPC on July 5, 1994, effective on January 1, 1995 and recently amended on December 29, 2018, the *Labor Contract Law of the PRC* (《中华人民共和国劳动合同法》) promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008 and recently amended on December 28, 2012 and the *Implementing Regulations of the Labor Contracts Law of the PRC* (《中华人民共和国劳动合同法实施条例》) promulgated by the State Council on September 18, 2008, effective on the same date, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, and strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Social Insurance and Housing Provident Fund

According to the *Social Insurance Law of the PRC* (《中华人民共和国社会保险法》) promulgated by the SCNPC on October 28, 2010, recently amended and effective on December 29, 2018, the *Administrative Regulations on Housing Provident Fund of the PRC* (《中华人民共和国住房公积金管理条例》) recently amended by the State Council and effective on March 24, 2019 and the *Provisional Regulations on Collection and Payment of Social Insurance Premiums* (《社会保险费徵缴暂行条例》) recently amended by the State Council and effective on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the *Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees* (《国务院办公厅关于全面推进生育保险和职工基本医疗保险合并实施的意见》) (Guo Ban Fa [2019] 10), the State facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment.

Regulations Relating to Intellectual Property

Patent

According to the *Patent Law of the PRC* (《中华人民共和国专利法》) promulgated by the SCNPC on March 12, 1984, effective on April 1, 1985, recently amended on October 17, 2020 and effective on June 1, 2021 as well as the *Implementation Regulations for the Patent Law of the PRC* (《中华人民共和国专利法实施细则》) promulgated by the State Council on December 21, 1992, effective on January 1, 1993 and recently amended on January 9, 2010 and effective on February 1, 2010, inventions refer to inventions, utility models and designs. Inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refer to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of the whole or part of product with esthetic feeling and industrial application value. The validity period of patent for inventions is 20 years, while the validity period of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, all starting from the date of application.

An invention-creation that is accomplished by a person in the course of performing any task for an entity to which the person belongs, or mainly by using materials or technical means of the said entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the relevant application is approved, the entity shall be the patentee. The entity may dispose of the right to apply for patents and patent rights of its invention-creation in accordance with the law and promote the implementation and utilization of the relevant invention-creation. The entity to which a patent right is granted shall reward the inventor or designer of such service invention-creation; after the implementation of the invention-creation patent, the inventor or designer shall be remunerated reasonably according to the scope of marketing and application and the economic benefits obtained. The State encourages the entities to which a patent right is granted to implement property rights incentives by way of equity, option, dividends, etc., so that inventors or designers can enjoy the proportion of profits of innovation.

Trademark

According to the *Trademark Law of the PRC* (《中华人民共和国商标法》) considered and approved by the SCNPC on August 23, 1982, effective on March 1, 1983 and recently amended on April 23, 2019 and effective on November 1, 2019, and the *Implementation Rules of the Trademark Law of the PRC* (《中华人民共和国商标法实施条例》) recently amended by the State Council on April 29, 2014 and effective on May 1, 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of trademark, a renewal shall be made in accordance with requirements within 12 months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement.

Copyright

According to the *Copyright Law of the PRC* (《中华人民共和国著作权法》) considered and approved by the SCNPC on September 7, 1990, effective on June 1, 1991, recently amended on November 11, 2020 and effective on June 1, 2021, works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the Copyright Law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction.

According to the *Measures for the Registration of Computer Software Copyright* (《计算机软件著作权登记办法》) promulgated by the National Copyright Administration on February 20, 2002 and the *Regulation on Computers Software Protection* (《计算器软件保护条例》) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the Copyright Protection Center of China as the software registration organization. The Copyright Protection Center of China shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the *Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection*.

Domain Names

According to the Administrative Measures for Internet Domain Names (《互联网域名管理办法》) promulgated by the MIIT on August 24, 2017 and effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of "first come, first served" applies to domain name registration service. The *Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services* (《工业和信息化部关于规范互联网信息服务使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

Regulations Relating to the EIT

According to the *Enterprise Income Tax Law of the PRC* (《中华人民共和国企业所得税法》) latest amended by the SCNPC and came into effect on December 29, 2018 and the *Implementation Rules of the Enterprise Income Tax Law of the PRC* (中华人民共和国企业所得税法实施条例) latest amended by the State Council and coming into effect on April 23, 2019, an enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

Regulations on Stock Connect Scheme Between Domestic and Overseas Stock Exchanges

In order to further facilitate cross-border investment and financing, promote globalized allocation of elements and resources, and advance the institutional opening-up of the capital markets, the CSRC expanded the scope of the stock connect scheme and released *the Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges* (《境内外证券交易所互联互通存托凭证业务监管规定》) (the "DR Regulation") on February 11, 2022, which became effective on the same date. Global Depositary Receipts issued under the stock connect scheme shall be regulated by the CSRC, the PBOC, the SAFE and other relevant authorities.

Conditions for GDR Offerings and Restrictions on Offer Price

According to the DR Regulation, a domestic listed company may not offer depositary receipts overseas if:

- the application documents for the offering contain any misrepresentations, misleading statements or have major omissions;
- the rights and interests of the listed company are severely impaired by its controlling shareholder or de facto controller, and such impairment has not been relieved;
- the listed company or its subsidiaries have illegally provided any external guarantees, and such guarantee has not been discharged;
- incumbent board directors or senior executives of the listed company have received administrative penalties from the CSRC in the last 36 months or have been reprimanded publicly by domestic stock exchanges in the last 12 months;
- the listed company or its incumbent board directors and senior executives are under on-going investigations by judicial authorities for suspected criminal offenses, or under on-going investigations by the CSRC for suspected violations of laws or regulations;
- qualified opinion, adverse opinion, or disclaimer of opinion on the listed company's financial reports for the last year and the last accounting period are given by the auditors, unless the major consequences of the issues indicated by aforesaid opinions have been completely relieved or unless the current offering involves material asset restructuring; or
- other circumstances that impose severe damages to the legitimate rights and interests of the investors or public interests.

For depositary receipts offered overseas by a domestic listed company representing newly-issued shares, the offer price following pro-rata conversion shall, in principle, not be lower than 90% of the average closing price of the underlying shares over the 20 trading days preceding the pricing benchmark date (being the first day of the offering period of the depositary receipts).

Upper Limit of Equity Holding

Pursuant to the *DR Regulation*, the proportion of equity interests held by any single foreign investor in a single domestic listed company shall not exceed 10% of the total number of shares of the company, and the aggregate interests held by all foreign investors in the A shares of a single domestic listed company shall not exceed 30% of the total number of shares of the company, except for foreign investors' strategic investments in the domestic listed company in accordance with applicable laws, which are not subject to these restrictions.

Redemption Limitation

Pursuant to the *DR Regulation*, the depositary receipts offered overseas by a domestic listed company may be redeemed for, or generated from, domestic underlying A shares. The depositary receipts may not be redeemed for domestic underlying shares within the 120 days following the date of listing of the depositary receipts. The depositary receipts subscribed by the controlling shareholders, the de facto controller of the domestic listed company and the enterprises controlled by them may not be transferred within the 36 months following the date of listing of the depositary receipts.

Cross-Border Fund Regulations

Pursuant to the *Measures for the Administration of Cross-Border Funds of Depositary Receipts (For Trial Implementation)* (《存托凭证跨境资金管理办法(试行)》), promulgated by the PBOC and the SAFE and effective from May 25 2019, the PBOC and its branches, the SAFE and its branches and administrative offices shall supervise, administer and inspect the accounts, fund receipts/payments and conversion involved in the issuance and transactions of depository receipts according to the law. A domestic enterprise offering depositary receipts overseas representing newly-issued securities shall complete the registration procedures, open and use the relevant accounts, and pay, receive and transfer relevant funds in accordance with the *Notice on Further Improving Policies on Cross-Border Renminbi Business to Promote Trade and Investment Facilitation* (《中国人民银行关于进一步完善人民币跨境业务政策促进贸易投资便利化的通知》) and the *Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing* (《国家外汇管理局关于境外上市外汇管理有关问题的通知》).

Other Regulations

Foreign Exchange Control

The SAFE is the regulatory authority of managing foreign exchange in the PRC, participating in the drafting of relevant laws, regulations and rules on foreign exchange administration. The SAFE is responsible to examine the authenticity and legality of current-account payments, manage capital account foreign exchange transactions, improve foreign exchange management in line with the convertibility of the Renminbi capital accounts, supervise and regulate foreign exchange sales and settlement businesses, and manage foreign exchange reserves, gold reserves and other foreign exchange assets of the state. The SAFE also has the power to conduct foreign exchange supervisions and inspections, and impose penalties on violations of foreign exchange management requirements.

Pursuant to the *Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing* (《国家外汇管理局关于境外上市外汇管理有关问题的通知》), promulgated by the SAFE and effective from December 2014, domestic companies listed overseas shall submit the registration documents for their overseas listings to domestic banks to open designated foreign exchange accounts regarding their initial or follow-on offerings and share repurchases, and handle the exchange, transfer and remittance of relevant funds through such designated accounts, and the proceeds raised from overseas listings of a domestic company may be remitted into the PRC or deposited overseas, and the use of such proceeds shall be consistent with those set out in the prospectus or other publicly disclosed documents such as the corporate bonds offering documentations, board resolutions or shareholders' resolutions.

Information Disclosure

A listed company shall establish a sound information management system in accordance with the regulatory requirements of the securities authorities, market practice, its specific circumstances, and the general information disclosure requirements for listed companies such as the Administrative Measures for the Disclosure of Information of Listed Companies (《上市公司信息披露管理办法》) revised by the CSRC and became effective in May 2021.

The related party transactions are disclosed in accordance with the PRC Accounting Standards for Business Enterprises No. 36—Disclosure of Related Parties issued by the MOF and the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15—General Rules on Financial Reporting issued by the CSRC. Pursuant to such standards, related parties are, broadly, parties under common control or one party controlling the other party or capable of exercise of significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As presented in the Annual Historical Financial Information as of and for the years ended December 31, 2019, 2020 and 2021, we entered into transactions with our related parties in the ordinary course of our business from time to time, mainly relating to: (i) we purchased goods (such as copper foil, aluminum foil and containers) and services (such as property management services) from certain related parties; (ii) we provided goods (such as battery cells and charging devices) and services (such as technical services) to certain related parties; (iii) we leased properties to certain related parties; (iv) we provided guarantees to certain related parties as to their borrowings; and (v) we paid compensation to key management personnel who are related parties of the Company, among other things.

For further details on our related party transactions, see note XII to the audited consolidated financial statements as of and for the years ended December 31, 2021 and 2020 and note X to the audited consolidated financial statements as of and for the years ended December 31, 2020 and 2019 in F-pages to this Prospectus. These related party transactions were conducted on an arm's length basis and on normal commercial terms between the relevant parties. We are expected to continue entering into contracts for related party transactions of the foregoing nature as part of our ordinary business from time to time.

Set out below is certain information in relation to our Company's Board of Directors, Supervisory Committee and senior management, as well as a brief description of certain significant provisions of the Articles of Association, the PRC Company Law and other PRC laws and regulations as of the date of this Prospectus. This description does not purport to be complete and is qualified in its entirety by reference to the Articles of Association, the PRC Company Law and such other PRC laws and regulations as in effect on the date of this Prospectus.

Overview

Our Company is principally governed by the general meeting of its shareholders (the "**general meeting**"), the Board of Directors, the Supervisory Committee and senior management. The Articles of Association which will take effect upon the First Day of Trading were approved at the at the annual general meeting for the year of 2021 on May 23, 2022. For details on the shareholders' general meeting, see "*Description of Share Capital—Description of A Shares—Shareholders' General Meetings*."

Certain details on the Board of Directors, the Supervisory Committee and senior management of the Company are set out below.

Board of Directors

The Board of Directors is responsible for the general management of the Company and is accountable to the general meeting. Board meetings include routine board meetings and extraordinary board meetings. A routine board meeting is required to be called semiannually. An extraordinary board meeting may be called upon demand.

The Board of Directors has the following functions and powers:

(1) to convene general meetings and report its work to general meetings;

(2) to implement the resolutions of general meetings;

(3) to determine the business plans and investment plans of the Company;

(4) to prepare the annual financial budgets and final accounts of the Company;

(5) to prepare the profit distribution plans and loss recovery plans of the Company;

(6) to formulate the proposals for increase or reduction of the Company's registered capital, and proposals for issue of bonds, other securities and listing;

(7) to formulate the proposals for material acquisitions, certain share buy-backs or corporate combination, division, dissolution or transformation of the Company;

(8) to decide on the investment, purchase and disposal of assets, asset mortgage, external guarantee, consigned wealth management, connected transactions, donation, among other things, within the authority granted by the shareholders' general meeting;

(9) to decide on the setup of the internal management organs of the Company;

(10) to decide on the appointment or dismissal of the general manager, the secretary to the Board of Directors and other senior management members of the Company, and determine their remunerations, rewards and punishments; to decide on the appointment or dismissal of the deputy general manager and chief financial officer of the Company based on the nomination of the general manager, and determine their remunerations, rewards and punishments;

(11) to formulate the basic management system of the Company;

(12) to formulate the proposals for any amendment to the Articles of Association;

(13) to manage the information disclosure of the Company;

(14) to propose to the general meeting to appoint or replace the accounting firm which audits the Company's accounts;

(15) to listen to work reports given by the general manager of the Company and oversee the general manager's work;

(16) to decide on the Company's acquisition of its shares (i) for employee stock purchase plans or incentive schemes, (ii) to convert convertible corporate bonds issued by the Company to its shares, and (iii) necessary to safeguard the value of the Company and the rights of the shareholders; and

(17) to exercise other functions and powers stipulated by laws, administrative regulations, department rules and the Articles of Association.

In addition, in the disposal of fixed assets (which shall include the acts of transferring certain assets-related rights and interests, but excluding the acts of using fixed assets as collaterals), where the expected value of the fixed assets to be disposed of, combined with the value derived from the fixed assets already disposed of in the four months immediately preceding the disposal proposal, exceed 33% of the value of the Company's fixed assets as shown in the balance sheet that has been deliberated at the most recent general meeting, the Board of Directors may not, without the prior approval of the general meeting, dispose of or agree to the disposal of such fixed assets.

In order to pass resolutions, not less than a majority of the Board members must be participating in the meeting (whether in person, by phone or video conference). Once a quorum is met, the Board of Directors can pass resolutions with the majority of the votes cast (*i.e.*, simple majority) for all foregoing matters, except that for items (6), (7) and (12), two thirds of the votes cast are required.

All members of the Board of Directors have to be elected, and may only be removed, by a shareholders' resolution. A Director serves a term of three years and may seek re-election upon expiry of the said term, except that Independent Directors cannot serve more than six years consecutively.

Members of the Board of Directors

The Board of Directors currently consists of nine Directors, including four independent Directors. Other than disclosed under "*Related Party Transactions*," none of the members of the Board of Directors have any significant business connection with any member of the Group.

The membership of the Board of Directors is as set out below:

Name	Year of birth	Current positions	Since
LI Zhen	1964	Chairman of the Board, General Manager	2015
Steven CAI	1962	Director, Deputy General Manager	2017
Frank ENGEL	1962	Director	2020
Andrea NAHMER	1967	Director	2021
ZHANG Hongli	1981	Director	2019
SUN Zhe	1966	Independent Director	2021
ZHOU Yi	1964	Independent Director	2021
QIU Xinping	1966	Independent Director	2021
WANG Feng	1975	Independent Director	2021

The business address of the office of the Board of Directors is the registered address of the Company: No. 566 Huayuan Boulevard, Baohe District, Hefei, Anhui province, the PRC 230051. The biographies of the members of the Board of Directors of the Company are set out below.

Mr. LI Zhen, a Chinese citizen, is the chairman of the Board and general manager of our Company. Currently, he is also currently chairman of the board of directors of Hefei Gotion High-Tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司) and executive director, general manager and legal representative of Nanjing Gotion Holding Group Co., Ltd. (南京国轩控股集团有限公司). Previously, Mr. Li served as general manager of Hefei Economic and Technological Development Company (合肥市经济技术发展公司), and a researcher of Hefei Municipal Government Economic Research Center (合肥市政府经济研究中心). He holds an EMBA from Cheung Kong Graduate School of Business in the PRC.

Mr. Steven CAI, a US citizen, is a Director and deputy general manager of our Company. Currently, he is also president of the general engineering research institute of the Company. Previously, Mr. Cai served as engineering director of Contemporary Amperex Technology Co. Limited (宁德时代新能源科技有限公司), and member of the electric vehicle safety strategy review committee and the global patent review committee of General Motors Corporation. He holds a master's degree from Wayne State University in the US.

Mr. Frank ENGEL, a German citizen, is a Director of our Company. He is also currently executive vice president of Volkswagen Group China and head of components and parts, logistics, and quality assurance departments. Previously, he served as production manager of automotive parts at Škoda Auto, general manager of Shanghai Volkswagen Powertrain Co., Ltd. (上海大众动力总成有限公司), production planning manager of Volkswagen brand components in Wolfsburg, Germany, and production planning manager of a production site of Volkswagen Group in Chemnitz, Germany. Mr. Engel holds a master's degree in mechanical engineering from Wolfenbüttel University of Technology in Germany.

Ms. Andrea NAHMER, a German citizen, is a Director of our Company. Currently, she is also head of the production, products and investment control business of Volkswagen Group. Previously, Ms. Nahmer served as business manager of NEOPLASTIC GMBH, an executive assistant at Ernst & Young in Hamburg, Germany, and strategic planning personnel of Siemens Transportation Group Inc., and was in charge of factory expenses benchmarking, components and parts business control and factory/product expenses control at Volkswagen Group. She holds a master's degree in business administration from University of Political Science and Economics in Germany.

Mr. ZHANG Hongli, a Chinese citizen, is a Director of our Company. Currently, he is also executive deputy head of the engineering research institute of our Company. Previously, Mr. Zhang served as head of the material research institute and battery research institute of our Company, a Project Scientist of University of California, Santa Barbara, and chief technical consultant of LifeCel Technology Inc. in the US. He holds a doctor's degree from Chinese Academy of Sciences in the PRC, and was a post-doctoral researcher at University of California, Santa Barbara in the US.

Mr. SUN Zhe, a Chinese citizen, is an independent Director of our Company. Currently, he is also co-director of the China Initiative at Columbia University's School of International and Public Affairs, researcher of Center for Local Government Governance and Innovation Research at Peking University, and independent non-executive director of China Resources Land Co., Ltd. (华润置地有限公司). Previously, Mr. Sun served as independent director of MGM China Holdings Limited (美高梅中国控股有限公司), director and professor of Center for US-China Relations at Tsinghua University, and deputy director, professor and doctoral adviser of Center for American Studies at Fudan University. He holds bachelor's and master's degrees in law from Fudan University in the PRC, and a PhD in political science from Columbia University in the US.

Ms. ZHOU Yi, a Chinese citizen, is an independent Director of our Company. Currently, she is also chief marketing officer of IBM's Asia Pacific business and global vice president of IBM. Previously, Ms. Zhou served as chief marketing officer and general manager of digital sales for IBM's Greater China Group since 2012. She holds a master's degree from Beijing Foreign Studies University in the PRC, and is now pursuing a doctor's degree in business administration from a joint program of Cheung Kong Graduate School of Business and Singapore Management University.

Mr. QIU Xinping, a Chinese citizen, is an independent Director of our Company. He has worked in the department of chemistry at Tsinghua University since 1996, mainly focusing on researching advanced electrochemical aspects such as lithium-ion batteries, fuel cells and flow batteries. He has published more than 200 scientific papers, applied for more than 20 patents, and received one natural science award by the Ministry of Education and two science and technology awards by the Beijing municipal government. He holds a doctor's degree in physical chemistry of metallurgy from University of Science and Technology in the PRC.

Mr. WANG Feng, a Chinese citizen, is an independent Director of our Company. Currently, he is also chief financial officer of Lightning Express Software (Beijing) Co., Ltd. (闪电快车软件(北京)有限公司). Previously, Mr. Wang served as chief financial officer of Reese Education Cayman Limited (瑞思教育开曼有限公司), Tujia Network Technology (Beijing) Co., Ltd. (途家网网络技术(北京)有限公司), Beijing Shenyan Intelligent Technology Co., Ltd. (北京深演智能科技股份有限公司) and Henan Zhongpin

Food Co., Ltd. (河南众品食业股份有限公司). He holds an MBA from China Europe International Business School in the PRC and a bachelor's degree from Beijing University of Technology, and he is also a Certificated Public Accountant (CPA).

Convictions/proceedings

In the last five years, none of the members of the Board of Directors have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Committees of the Board of Directors

Certain responsibilities of the Board of Directors are delegated to specialized committees to assist the Board with carrying out its functions and to ensure independent oversight of internal controls and risk management. The four principal specialized committees (the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee) play an essential role in supporting the Board of Directors in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Company. All the specialized committees are accountable to, and submit working reports to, the Board of Directors, which shall consider the opinions of the specialized committees before making any decisions on matters related to the duties of the specialized committees. The Board of Directors is responsible for formulating the working rules and standardizing the operation of the specialized committees.

Strategy Committee

The Strategy Committee is mainly responsible for studying and predicting the long-term development strategies of the Company and determining the development strategic plans of the Company. The specific duties of the Strategy Committee include: (i) studying the Company's long-term development strategies and giving suggestions on the same; (ii) studying and giving suggestions on the Company's major investment financing plans which are subject to the approval of the Board of Directors as stipulated in the Articles of Association; (iii) studying and giving suggestions on the Company's major capital operations and asset management projects which are subject to the approval of the Board of Directors as stipulated in the Articles of Association; (iv) studying and giving suggestions on other major issues affecting the development of the Company; (v) checking the implementation of the above matters; and (vi) other duties granted by the Board of the Directors. Meetings of the Strategy Committee shall be convened by the chairman of the Board of Directors of the Company. The Strategy Committee, chaired by Mr. LI Zhen, consists of Mr. Frank ENGEL, Mr. Steven CAI, Mr. ZHANG Hongli and Ms. Andrea NAHMER.

Audit Committee

The Audit Committee assists the Board of Directors with, among other matters: (i) monitoring and evaluating the work of the Company's external auditor, and proposing to appoint or replace the Company's external auditor; (ii) guiding internal audit work; (iii) coordinating the communications of the internal audit department with the Company's external auditor; (iv) reviewing and commenting on the financial statements of the

Company; (v) evaluating the effectiveness of the Company's internal controls, and reviewing significant related party transactions; (vi) other matters authorized by the Board of Directors and other matters involving relevant laws and regulations. The Audit Committee, chaired by Mr. WANG Feng, consists of Mr. LI Zhen, Ms. Andrea NAHMER, Mr. SUN Zhe and Ms. ZHOU Yi.

Nomination Committee

The Nomination Committee assists the Board of Directors with, among other matters: (i) giving suggestions to the Board of Directors on the size and composition of the Board based on the Company's business activities, asset scale and shareholding structure; (ii) reviewing and opining on the election standards and procedures of the Directors and senior management personnel; (iii) searching broadly for eligible candidates for Directors and senior management; (iv) reviewing and opining on the qualification criteria of candidates for Directors and senior management; (v) reviewing and opining on the senior management personnel to be appointed by the Board of Directors; and (vi) other matters authorized by the Board of Directors. The Nomination Committee, chaired by Mr. SUN Zhe, consists of Mr. Frank ENGEL, Mr. Steven CAI, Ms. ZHOU Yi and Mr. QIU Xinping.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee assists the Board of Directors with, among other matters: (i) studying and opining on the evaluation standards of Directors and senior management; (ii) formulating remuneration plans or schemes for Directors and senior management based on the main scope, responsibilities and importance of management positions and with reference to remuneration levels of relevant positions at other relevant corporations; the remuneration plans or schemes mainly include but are not limited to the performance appraisal standard, procedure and the main appraisal system, the main plan and system for rewards and penalties; (iii) reviewing the performance of the Directors and senior managers and conducting annual performance appraisals; (iv) supervising the implementation of the remuneration system for Directors and senior management; and (v) other matters authorized by the Board of Directors. The Remuneration and Appraisal Committee, chaired by Ms. ZHOU Yi, consists of Mr. ZHANG Hongli, Ms. Andrea NAHMER, Mr. QIU Xinping and Mr. WANG Feng.

Supervisory Committee

The Supervisory Committee is responsible for overseeing the Company's general management and is accountable to the general meeting. The Supervisory Committee has the following functions and powers in accordance with PRC law:

(1) to review regular reports of the Company prepared by the Board of Directors and express their opinions in writing;

(2) to check the financial affairs of the Company;

(3) to supervise the acts of the Directors and senior management members in performing their duties and propose the removal of the Directors or senior management members who are in violation of the laws, administrative regulations, the Articles of Association or resolutions of the general meeting;

(4) to require any Director or senior management member who acts in any manner that damages the interests of the Company to make corrections;

(5) to propose for an interim general meeting, and convene and preside over the general meeting when the Board of Directors fails to do the same according to the PRC Company Law;

(6) to put forward proposals to the general meeting;

(7) to file a lawsuit against the Directors or senior management members in accordance with Article 151 of the PRC Company Law;

(8) to investigate if they find that the Company is in abnormal operation, and if necessary, engage an accounting firm, a law firm and other professional organization to assist in their work at the cost of the Company; and

(9) to check the financial materials to be submitted by the Board of Directors to the general meeting, including financial reports, operating report sand profit disposition plans, in case of any doubt, to entrust certified public accountant(s) and independent auditor(s) in the name of the Company to assist with the review.

The term of office of each Supervisor shall be three years per session. Upon expiry of the term, a Supervisor may be reappointed upon re-election. The chairman of the Supervisory Committee shall be elected and removed by the Supervisory Committee.

Members of the Supervisory Committee

The Company's Supervisory Committee currently consists of three Supervisors, including the chairman of the Supervisory Committee. The membership of the Supervisory Committee of the Company is as set out below:

Name	Year of birth	Current positions	Since
YANG Dafa	1988	Chairman of the Supervisory Committee	2022
LI Yan	1978	Supervisor	2016
WU Yibing	1973	Supervisor	2019

The business address of the office of the Supervisory Committee is the registered address of the Company: No. 566 Huayuan Boulevard, Baohe District, Hefei, Anhui province, the PRC 230051. The biographies of the members of the Supervisory Committee of the Company are set out below.

Mr. YANG Dafa, a Chinese citizen, is chairman of the Supervisory Committee of our Company. Currently, he is also the general manager of the eighth business department of the Company's marketing center. Previously, Mr. Yang served as deputy head and deputy director of the office of the chairman of the Board, head of investor relations at the securities affairs department, secretary to the chairman of the Board, and an engineer of the industrial technology research institute of the Company. He holds a doctor's degree in engineering.

Ms. LI Yan, a Chinese citizen, is a Supervisor of our Company. Currently, she is also general manager of the financial audit department of Gotion Holding Group Co., Ltd. (国轩控股集团有限公司). Previously, Ms. Li served as financial manager and financial director of Gotion Holding Group Co., Ltd. (国轩控股集团有限公司). She holds a bachelor's degree and a title of senior accountant.

Mr. WU Yibing, a Chinese citizen, is a Supervisor of our Company. Currently, he is also chairman of the labor union of Hefei Gotion High-Tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司). Previously, Mr. Wu served as administrative director and manager of the general department of Gotion New Energy (Lujiang) Co., Ltd. (国轩新能源(庐江)有限公司), manager of the general department of Hefei Gotion Battery Materials Co., Ltd. (合肥国轩电池材料有限公司), deputy general manager of Hefei Gotion High-Tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司), and head of the thermochemistry research office of the Hefei Metrology and Testing Institute (合肥市计量测算研究院). He holds a master's degree.

Convictions/proceedings

In the last five years, none of the members of the Supervisory Committee have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Senior Management

The senior management is responsible for day-to-day and operational activities of the Company and the Group and is accountable to the Board of Directors. The senior management consists of general manager, deputy general managers, chief financial officer and secretary to the Board. The general manager and deputy general managers shall be appointed and removed by the Board of Directors. Senior management members have a term that is the same as that of the Board.

Members of the Senior Management

The senior management members, by function, of the Company are as set out below to the extent that not all of them are members of the Board of Directors:

Name	Year of birth	Current positions	Since
LI Zhen	1964	Chairman, General Manager	2015
Steven CAI.	1970	Director, Deputy General Manager	2017
WANG Qiang	1981	Deputy General Manager	2018
ZHANG Wei.	1980	Deputy General Manager	2019
WANG Qisui	1984	Deputy General Manager	2022
SUN Aiming.	1981	Deputy General Manager	2022
LI Chen	1990	Deputy General Manager	2022
PAN Wang	1984	Deputy General Manager, Secretary to the Board	2019
ZHANG Yifei	1985	Chief Financial Officer	2022

The business address of the senior management is the registered address of the Company: No. 566 Huayuan Boulevard, Baohe District, Hefei, Anhui province, the PRC 230051. The biographies of the senior management members of the Company are set out below.

For biographical details of Mr. LI Zhen and Mr. Steven CAI, see "*—Board of Directors—Members of the Board of Directors*."

Mr. WANG Qiang, a Chinese citizen, is a deputy general manager of our Company. Currently, he is also chairman of the board of Hefei Gotion Battery Technology Co., Ltd (合肥国轩电池科技有限公司) and Hefei Gotion Battery Co., Ltd. (合肥国轩电池有限公司). Previously, Mr. Wang served as executive president of our Company and president of Hefei Gotion High-Tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司), technology director, chairman of the board and general manager of Hefei Gotion Battery Materials Co., Ltd. (合肥国轩电池材料有限公司) and materials application engineer of Hefei Gotion High-Tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司). He holds a doctor's degree from Hefei University of Technology in the PRC, and a title of senior engineer in materials engineering.

Mr. ZHANG Wei, a Chinese citizen, is a deputy general manager of our Company. Currently, he is also vice president of Hefei Gotion High-Tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司). Previously, Mr. Zhang served as general manager and director of Nanjing Guoxuan New Energy Co., Ltd. (南京国轩新能源有限公司) and Nanjing Gotion Battery Co., Ltd. (南京国轩电池有限公司), general manager of Hefei Outlet New Energy Vehicle Sales Co., Ltd. (合肥奥莱新能源汽车销售有限责任公司), administrative director of Hefei Tengrui Sports Goods Co., Ltd. (合肥腾瑞体育用品有限公司) and personnel administration manager of Yunnan branch of Anhui Xinhua Holding Group Investment Co., Ltd (安徽新华控股集团投资有限公司). He holds a bachelor's degree.

Mr. WANG Qisui, a Chinese citizen, is a deputy general manager of our Company. Currently, he is also general manager of the China business of the Company. Previously, Mr. Wang served as chairman of the Supervisory Committee of the Company, vice president, assistant to president of Hefei Gotion High-Tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司), and senior manager and senior engineer of the material research institute of our Company. He holds a doctor's degree from Wuhan University of Technology in the PRC and a title of senior engineer, and was a post-doctoral researcher in materials chemistry at University of Science and Technology of China in the PRC.

Mr. SUN Aiming, a Chinese citizen, is a deputy general manager of our Company. Currently, he is also president of the Company's strategic capital segment. Previously, Mr. Sun served as general manager of the smart office business of Beijing Xiaomi Technology Co., Ltd. (北京小米科技有限责任公司), and general manager of the business department of Lianbao (Hefei) Electronic Technology Co., Ltd. (联宝(合肥)电子科技有限公司). He holds a master's degree in corporate management.

Mr. LI Chen, a Chinese citizen, is a deputy general manager of our Company. Currently, he is also president of the Company's international business segment. Previously, Mr. Li served as vice president of the research institute and head of the international research and development center of the Company. He holds a bachelor's degree from Purdue University in the US and a master's degree in public administration from Columbia University in the US.

Mr. PAN Wang, a Chinese citizen, is a deputy general manager and secretary to the Board of Directors of our Company. Previously, Mr. Pan served as chief financial officer of the Company, Nanjing Zhixing New Energy Automotive Technology Development Co., Ltd. (南京知行新能源汽车技术开发有限公司) and Whirlpool (China) Co., Ltd. (惠而浦(中国)股份有限公司), financial manager of Chery Jaguar Land Rover Automotive Co., Ltd. (奇瑞捷豹路虎汽车有限公司) and senior financial controlling specialist of Continental Tires (China) Co., Ltd. (大陆马牌轮胎(中国)有限公司). He holds a bachelor's degree and is a Certified Management Accountant (CMA).

Mr. ZHANG Yifei, a Chinese citizen, is chief financial officer of our Company. Previously, Mr. Zhang served as director of audit, funds and tax of Volkswagen (AnHui) Automotive Company Limited (大众汽车(安徽)有限公司), and head of the financial department of Anhui Jianghuai Automobile Group Corp., Ltd. (安徽江淮汽车集团股份有限公司). He holds a bachelor's degree in accounting from Harbin Institute of Technology in the PRC and is a Certified Management Accountant (CMA).

Convictions/proceedings

In the last five years, none of the members of the senior management have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Compensation

At the fourth extraordinary general meeting on August 10, 2015, the shareholders of our Company reviewed and approved the proposal on the management system of allowances paid to the Company's Directors and Supervisors. Accordingly, the standard for such allowances is set at, on an annual basis and before any tax, RMB120,000 for each of the chairman of the Board and independent Directors, RMB80,000 for each of the other Directors, and RMB40,000 for each of the Supervisors (including the chairman of the Supervisory Committee).

The allowances are paid every quarter, and the Company would withhold individual income tax from the actual payments of such allowances to Directors and Supervisors. No allowances shall be paid to Directors and Supervisors whose term of office terminates, beginning from the month following the deliberation and approval of such termination at the shareholders' general meeting.

With respect to compensation to senior management, our Company conducts a comprehensive assessment of the performance of each member based on the salary levels of the industries where we operate, and the extent to which the Company's financial budget plans, target operational metrics and management objectives, among other things, are achieved, and links their individual year-end bonus assessments with our results of operations.

The following table sets forth some details of the pre-tax remuneration and pension, retirement and other similar benefits received from the Company by each of the Company's current Directors, Supervisors and senior management members in 2021:

Name	Pre-tax remuneration and pension, retirement and other similar benefits received from the Company in 2021
	(RMB in thousands)
LI Zhen	1,550.2
Steven CAI	1,692.6
Frank ENGEL[(1)]	—
Andrea NAHMER[(1)]	—
ZHANG Hongli	811.6
SUN Zhe[(2)]	—
ZHOU Yi[(2)]	—
QIU Xinping[(2)]	—
WANG Feng[(2)]	—
YANG Dafa[(3)]	—
LI Yan	40.0
WU Yibing	379.5
WANG Qiang	1,205.0
ZHANG Wei	745.7
WANG Qisui[(4)]	719.9
SUN Aiming[(5)]	—
LI Chen[(5)]	—
PAN Wang[(6)]	744.6
ZHANG Yifei[(5)]	—

(1) Mr. Frank ENGEL and Ms. Andrea NAHMER voluntarily renounced their allowances as a Director.

(2) Mr. SUN Zhe, Ms. ZHOU Yi, Mr. QIU Xinping and Mr. WANG Feng became independent Director of the Company in December 2021.

(3) Mr. YANG Dafa became chairman of the Supervisory Committee of the Company in May 2022.

(4) Mr. WANG Qisui became a deputy general manager of the Company in May 2022. The corresponding pre-tax remuneration and other benefits in 2021 was paid to him during his term of office as chairman of the Supervisory Committee.

(5) Mr. SUN Aiming and Mr. LI Chen became deputy general managers of the Company, and Mr. ZHANG Yifei became chief financial officer of the Company in April 2022.

(6) Mr. PAN Wang resigned as the chief financial officer of the Company in April 2022. The corresponding pre-tax remuneration and other benefits in 2021 included those paid to him during his term of office as chief financial officer of the Company in such capacity.

Ownership of Shares and Options

The following table sets forth the number of shares and stock options held by our Directors, Supervisors and members of senior management as of the date of this Prospectus (and, unless stated otherwise, as of the First Day of Trading):

		Owned Shares		Number of stock options outstanding pursuant to		
Name	**Current positions**	**A Shares held**	**% of voting rights[(2)]**	**2021 ISO Plan**	**2022 ISO Plan**	**Number of A Shares held pursuant to ESOP**
LI Zhen[(1)]	Chairman, General Manager	103,276,150	5.39%	—	—	—
Steven CAI	Director, Deputy General Manager	—	—	400,000	200,000	350,472
ZHANG Hongli	Director	140,600	0.01%	250,000	150,000	110,094
WU Yibing	Supervisor	26,000	0.00%	—	—	20,000
WANG Qiang	Deputy General Manager	292,900	0.02%	200,000	150,000	200,236
ZHANG Wei	Deputy General Manager	—	—	100,000	150,000	173,194
WANG Qisui	Deputy General Manager	12,000	0.00%	—	—	120,047
SUN Aiming	Deputy General Manager	—	—	150,000	150,000	50,000
LI Chen[(1)]	Deputy General Manager	28,472,398	1.49%	—	—	50,000
PAN Wang	Deputy General Manager, Secretary to the Board	—	—	100,000	150,000	—

(1) Mr. LI Zhen is a principal shareholder of our Company. Mr. LI Chen is son of Mr. LI Zhen. Nanjing Gotion Holding Group Co., Ltd., of which Mr. LI Zhen is the controlling shareholder, is also a principal shareholder of our Company. For further information, see "*Principal Shareholders*."

(2) On an adjusted basis to give effect to the Offering assuming all Offer GDRs are sold and the Upsize Option is exercised in full.

As far as the Company is aware, as at the date of this Prospectus, none of the Directors, Supervisors or members of senior management of the Company intend to subscribe in the Offering.

Incentive Stock Option Plans

On August 26, 2021, the Board of Directors approved a proposal of an incentive stock option plan for certain Directors, members of the senior management and selected employees (the "**2021 ISO Plan**"), which was approved by the general meeting of the shareholders in September 2021. Under the 2021 ISO Plan, 1,063 persons were granted stock options to purchase up to an aggregate of 29,980,000 A Shares at RMB39.30 per share (subject to adjustment under certain circumstances) that were scheduled to vest in three installments commencing on the one-year anniversary of the grant date (October 28, 2021), subject to transfer and forfeiture restrictions as well as certain limitations on exercise. These stock options are performance-based, so the number of A Shares to be obtained by each option holder upon exercise depends on the extent to which target operating revenue is met.

On April 27, 2022, the Board of Directors approved a proposal of an incentive stock option plan for certain Directors, members of the senior management and selected employees (the "**2022 ISO Plan**", together with the 2021 ISO Plan, the "**ISO Plans**"), which was approved by the general meeting of the shareholders in May 2022. Under the 2022 ISO Plan, 1,723 persons were granted stock options to purchase up to an aggregate of 59,687,500 A Shares (comprising 47,750,000 A Shares to be granted first, and 11,937,500 A Shares reserved for granting) at RMB18.67 per share (subject to adjustment under certain circumstances) that were scheduled to vest in three installments commencing on the one-year anniversary of the grant date (July 8, 2022), subject to transfer and forfeiture restrictions as well as certain limitations on exercise. These stock options are performance based, so the number of A Shares to be obtained by each option holder upon exercise depends on the extent to which target operating revenue is met.

The stock options under the ISO Plans once vested must be exercised before the expiration of the ISO Plans, which is 48 months after the respective grant dates. The exercise of such stock options shall not occur:

- within 30 calendar days before the publication of the Company's annual and semi-annual reports;
- within ten calendar days before the publication of the Company's quarterly reports, estimated results and results update;
- between the occurrence of material events that can significantly affect the trading price of the Company's securities and derivatives, and the disclosure in compliance with relevant laws; and
- other periods as required by the CSRC and the Shenzhen Stock Exchange.

In addition, in accordance with the PRC Company Law, the PRC Securities Law, other the relevant laws, regulations and guidelines, and the Articles of Associations, the Shares acquired by an option holder under the ISO Plans are subject to the following selling restrictions:

- If the option holder is a Director or member of the senior management, he or she shall not transfer 25% or more of the Shares of the Company held by him or her during his or her term of office every year; and he or she shall not transfer the Shares of the Company held by him or her within six months after the termination of his or her employment with the Company; and
- If the option holder is a Director or member of the senior management, or the spouses, parents or children of the Directors or members of the senior management, and he or she disposes of the Shares of the Company within six months of his or her purchase of the Shares, or purchases the Shares of the Company within six months of his or her disposal of the Shares, the relevant proceeds shall belong to the Company and be seized by the Board.

Employee Stock Ownership Plans

The Company has adopted Employee Stock Ownership Plans ("**ESOP**") in 2018 and 2021, respectively, to promote the long-term, sustainable and healthy development of the Company and maximize the benefits of the Company, its shareholders and employees as a whole. The ESOP was financed by the employees of the Company on a voluntary basis. The final size of the ESOP was subject to the actual capital contribution by the employees. The term of the ESOP was four years with effect from the commencement, which may be extended upon approval of holders' meeting of the ESOP and the Board. The personnel qualified to participate in the ESOP included, among others, the Company's directors (excluding independent directors), Supervisors, senior management and other key employees who have made great contributions to the growth of the Company as determined by the Board. Those who participated in the ESOP shall comply with relevant laws and regulations, including certain selling restrictions, which are similar to those on the incentive stock option plans described above.

The ESOP in 2021 was approved by the third extraordinary general meeting of the shareholders of 2021 in September 2021, and commenced on January 18, 2022. Pursuant to the ESOP in 2018, an aggregate of 3,133,684 A Shares was transferred to the ESOP account, and subject to a lock-up period of twelve to thirty-six months from the commencement. The ESOP was performance-based, so the number of A Shares to be obtained by each participant depends on (i) the extent to which target operating revenue is met and (ii) the annual performance evaluation of each individual.

The ESOP in 2018 was approved by the third extraordinary general meeting of the shareholders of 2018 in December 2018, and commenced on November 15, 2019. Pursuant to the ESOP in 2018, an aggregate of 12,617,876 A Shares was transferred to the ESOP account, subject to a lock-up period of twelve to thirty-six months from the commencement. The ESOP was performance-based, so the number of A Shares to be obtained by each participant depends on the extent to which target operating revenue is met.

Permitted Other Activities of the Directors, Supervisors and Members of the Senior Management

According to PRC law, members of the senior management of the Company shall not assume a position other than a director or supervisor of the Company's corporate controlling shareholders.

Corporate Governance

As of the date of this Prospectus, the Company is in compliance with the corporate governance requirements applicable to it as a PRC public company listed on the Shenzhen Stock Exchange in all material aspects.

Potential Conflicts of Interest

There are no potential conflicts of interest between any duties owed by the Directors, Supervisors or members of senior management to the Company and their private interests and/or other duties. There are no interests, including conflicting interests that are material to the Offering.

As of the date of this Prospectus, our Company had issued a total of 1,664,707,835 A Shares with a par value of RMB1.00 per A Share. No shareholder has different voting rights attached to the A Shares to any other shareholder, except as disclosed below. The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

Shareholders Holding 3% or More

The table below sets out the information known to us with respect to the principal shareholders as well as the beneficial ownership of our Company's A Shares as of the date of this Prospectus (i) on an actual basis, and (ii) on an adjusted basis to give effect to the Offering assuming all Firm GDRs are sold and (a) the Upsize Option is not exercised, and (b) the Upsize Option is exercised in full. Based on the information available to us, the table below describes the individual shareholdings of those shareholders that hold prior to, and are expected to hold upon completion of, the Offering, directly or indirectly, 3% or more of our Company's voting rights. Each A Share carries one vote at a shareholders' general meeting of our Company and, as such, except as otherwise stated, the number of A Shares held by shareholders set forth in the table below is equal to the number of voting rights held by the respective shareholder. You should also read "*Related Party Transactions*" and "*Board of Directors, Supervisory Committee and Senior Management*."

	Prior to the Offering		Upon Completion of the Offering			
			No exercise of the Upsize Option		Full exercise of the Upsize Option	
Shareholder	A Shares held	% of voting rights[(1)]	A Shares held	% of voting rights[(2)]	A Shares held	% of voting rights[(3)]
Volkswagen (China) Investment Co., Ltd.[(4)]	440,630,983	13.17%[(5)]	440,630,983	11.52%	440,630,983	10.80%
Nanjing Gotion Holding Group Co., Ltd.[(6)(7)]	170,751,887	10.26%	170,751,887	9.32%	170,751,887	8.92%
LI Zhen[(7)]	103,276,150	6.20%	103,276,150	5.64%	103,276,150	5.39%
LI Chen[(7)]	28,472,398	1.71%	28,472,398	1.55%	28,472,398	1.49%
Other shareholders	921,576,417	55.36%	1,088,047,201	59.42%	1,171,282,592	61.18%
Total	**1,664,707,835**	**86.70%[(5)]**	**1,831,178,619**	**87.46%**	**1,914,414,010**	**87.78%**

(1) Based on the Company's issued share capital of 1,664,707,835 A Shares with a nominal value of RMB1.00 as of the date of this Prospectus. The calculation of the percentages of voting rights does not take into account the repurchased A Shares of the Company, as described in "*Description of Share Capital—Capital Structure—Own Shares*." It also assumes that the respective shareholders possess the corresponding voting rights of A Shares held by each of them, except as described in note 5 below.

(2) Based on the Company's issued share capital of 1,831,178,619 A Shares with a nominal value of RMB1.00 following completion of the Offering assuming the issuance and sale of all Firm GDRs (assuming no exercise of the Upsize Option). The calculation of the percentages of voting rights does not take into account the repurchased A Shares of the Company, as described in "*Description of Share Capital—Capital Structure—Own Shares*." It also assumes that the respective shareholders possess the corresponding voting rights of A Shares held by each of them, except as described in note 5 below.

(3) Based on the Company's issued share capital of 1,914,414,010 A Shares with a nominal value of RMB1.00 following completion of the Offering assuming the issuance and sale of all Offer GDRs (assuming exercise in full of the Upsize Option). The calculation of the percentages of voting rights does not take into account the repurchased A Shares of the Company, as described in "*Description of Share Capital—Capital Structure—Own Shares*." It also assumes that the respective shareholders possess the corresponding voting rights of A Shares held by each of them, except as described in note 5 below.

(4) A wholly owned subsidiary of Volkswagen Group, mainly engaged in the manufacturing and sales of passenger vehicles and commercial vehicles.

(5) Pursuant to the shareholder agreement entered into by Volkswagen (China) Investment Co., Ltd., Mr. LI Zhen and Mr. LI Chen, among others, on May 28, 2020, subject to certain conditions, Volkswagen (China) Investment Co., Ltd. irrevocably gave up certain of its voting rights for a period of at least 36 months after the relevant A Shares were issued to or transferred to, and registered under the name of, Volkswagen (China) Investment Co., Ltd., so that the percentage of its voting rights is at least 5% lower than the aggregate of that of Mr. LI Zhen, Mr. LI Chen and Nanjing Gotion Holding Group Co., Ltd., as further described under "*—Top Ten Shareholders*" below.

(6) A limited liability company, mainly engaged in the research and development and production of lithium-ion battery.

(7) Mr. LI Zhen is the Chairman of the Board and general manager of our Company. Mr. LI Chen is son of Mr. LI Zhen; and he is also deputy general manager of our Company. See "*Board of Directors, Supervisory Committee and Senior Management—Board of Directors—Members of the Board of Directors*." Nanjing Gotion Holding Group Co., Ltd., Mr. LI Zhen and Mr. LI Chen are persons acting in concert within the meaning of PRC law.

Top Ten Shareholders

The table below identifies the top ten beneficial owners of our Company's A Shares and the percentage of their respective shareholding (exclusive of A Shares held by persons acting in concert, if any), based on the A Shares as of March 31, 2022. Except as disclosed below, no shareholder has different voting rights attached to the A Shares to any other shareholder.

Name of Shareholder	Percentage
Volkswagen (China) Investment Co., Ltd.	26.47%
Nanjing Gotion Holding Group Co., Ltd.[1]	10.26%
LI Zhen[1]	6.20%
Hong Kong Securities Clearing Company Ltd.[2]	4.57%
LI Chen[1]	1.71%
Foshan Electrical and Lighting Co., Ltd.	1.03%
Gotion High-tech Co., Ltd—2nd Employee Stock Ownership Plan	0.45%
Industrial and Commercial Bank of China Limited—Huitianfu CSI New Energy Vehicle Industry Index Securities Investment Fund (LOF)	0.45%
Industrial and Commercial Bank of China Limited—Qianhai Open Source New Economy Flexible Allocation Hybrid Securities Investment Fund	0.42%
JIN Guoxin	0.30%

(1) Nanjing Gotion Holding Group Co., Ltd., Mr. LI Zhen and Mr. LI Chen were persons acting in concert within the meaning of PRC law as of March 31, 2022. Mr. LI Chen is the son of Mr. LI Zhen. Mr. LI Zhen is also the legal representative, controlling shareholder and executive director of Nanjing Gotion Holding Group Co., Ltd.

(2) The nominal holder of shares held by non-registered shareholders who hold A shares of the Company through the Northbound Trading under Shenzhen-Hong Kong Stock Connect.

As of the date of this Prospectus, Volkswagen (China) Investment Co., Ltd. holds 26.47% of the total A Shares of the Company, and is therefore the largest shareholder by number A Shares held. As of the same date, Mr. LI Zhen, along with his person in concert, Mr. LI Chen, directly and, through Nanjing Gotion Holding Group Co., Ltd., indirectly holds in aggregate 18.17% of the total A Shares of the Company.

Pursuant to the May 28, 2020 shareholder agreement entered into by Volkswagen (China) Investment Co., Ltd., Mr. LI Zhen and Mr. LI Chen, among others, Volkswagen (China) Investment Co., Ltd. undertook, subject to certain conditions, to irrevocably give up certain of its voting rights for a period of 36 months after the relevant A Shares were issued to or transferred to, and registered under its name or a longer period as determined by Volkswagen (China) Investment Co., Ltd., so that the percentage of its voting rights is at least 5% lower than the aggregate of that of Mr. LI Zhen, Mr. LI Chen and Nanjing Gotion Holding Group Co., Ltd. During such period, Volkswagen (China) Investment Co., Ltd. shall not increase its percentage of voting rights to breach the 5% threshold or seek to control the Company via other means.

Accordingly, Mr. LI Zhen and his persons in concert are shareholders with the most voting rights. Meanwhile, in accordance with the foregoing shareholder agreement, the Articles of Association and relevant laws and regulations, more than half of the Board seats went to nominees of Mr. LI Zhen and his persons in concert. Accordingly, Mr. LI Zhen is the actual controlling person of our Company.

Underwriting

For information relating to the underwriting of the GDRs by the Managers, such as the composition of the underwriting syndicate, the maximum number of GDRs which have been underwritten as well as the percentage of voting rights and the time frame in which the Managers are likely to hold the underwritten GDRs, see "*Offering and Sale—Underwriting*."

Set out below is certain information in relation to our Company's share capital, as well as a brief description of certain significant provisions of the Articles of Association, the PRC Company Law and other laws and regulations as will be applicable to the Company on the First Day of Trading. This description does not purport to be complete and is qualified in its entirety by reference to the Articles of Association, the PRC Company Law and such other laws and regulations as in effect on the date of this Prospectus.

General Corporate Information

Our Company's name is Gotion High-tech Co., Ltd. (国轩高科股份有限公司). Our Company is a joint stock company with limited liability established pursuant to the Company Law of the PRC. The Company was established via a reorganization, which was approved by the CSRC, and became listed on the Shenzhen Stock Exchange on April 20, 2015, following an agreement for purchase of assets by issuing shares, pursuant to which (i) our predecessor Jiangsu Dongyuan Electrical Group Co., Ltd. (江苏东源电器集团股份有限公司), a company with its A shares listed on the Shenzhen Stock Exchange under stock code 002074 since October 18, 2006, acquired 99.26% equity interests in Hefei Gotion High-tech Power Energy Co., Ltd. (合肥国轩高科动力能源有限公司), and (ii) Hefei Gotion High-tech Power Energy Co., Ltd. injected certain assets to our predecessor. Following the asset purchase, Jiangsu Dongyuan Electrical Group Co., Ltd. became the controlling shareholder of Hefei Gotion High-tech Power Energy Co., Ltd., and was subsequently renamed Gotion High-tech Co., Ltd. on September 18, 2015. Our Company has conducted business since its incorporation in conformity with our Articles of Association and the aforementioned laws and regulations.

Our Company was registered with Market Supervision Administration of Hefei with an enterprise registration number of 91320600138346792B. The Company's A Shares are registered on its A Share register maintained by the CSDC. Our registered office is No. 566 Huayuan Boulevard, Baohe District, Hefei, Anhui province, the PRC. The scope of our business primarily includes the research and development, manufacturing and sale of lithium-ion battery and material, complete vehicle control systems, electric power transmission & distribution equipment and energy-saving electrical appliance, among other things.

For an overview of the participations held by our Company, see "*Presentation of Financial and Other Information*."

Capital Structure

Issued Share Capital

As of the date of this Prospectus, our Company's issued share capital amounts to RMB1,664,707,835.0, divided into 1,664,707,835 A Shares, which are fully paid and listed on the Shenzhen Stock Exchange with the stock name and code of 国轩高科 (002074). Each A Share has a par value of RMB1.00, and the A Shares have been issued by our Company in registered form. The A Shares are fully paid-up and non-assessable.

Changes in Share Capital

The table below sets out our Company's share capital as of December 31, 2019, 2020 and 2021 as well as the date of this Prospectus:

Date	Number of A Shares	Share Capital Value
		(RMB)
December 31, 2019	1,136,650,819	1,136,650,819.0
December 31, 2020	1,280,544,489	1,280,544,489.0
December 31, 2021	1,664,707,835	1,664,707,835.0
The date of this Prospectus	1,664,707,835	1,664,707,835.0

Pursuant to special resolutions dated April 27, 2022, the shareholders of our Company approved the issuance of no more than 249,706,175 new A Shares by our Company to the Depositary in connection with the Offering.

GDRs

Each GDR represents an interest in five A Shares.

Based on a resolution of the Board of Directors on May 5, 2022 and a resolution of the Shareholders on May 23, 2022 (pursuant to which matters in connection with the Capital Increase (as defined herein) were delegated to the Chairman and/or his authorized representatives), the Company's share capital shall be increased in the amount of up to RMB249,706,175.00 by the issuance of up to 249,706,175 fully-paid A shares (the "**New A Shares**") at a nominal value of RMB1.00 each, corresponding to the underlying interests of up to 49,941,235 GDRs (the "**Capital Increase**"). The Capital Increase is expected to be completed on or around July 27, 2022.

Assuming the issuance and sale of all Firm GDRs (representing 166,470,784 underlying A Shares), the share capital of the Company will be RMB1,831,178,619.00 and consisting of 1,831,178,619 A Shares. In this case, the 166,470,784 New A Shares (corresponding to the underlying interests of 33,294,157 GDRs) will represent 9.09% of the share capital of the Company upon completion of the Offering. Assuming the exercise of the Upsize Option in full and the issuance and sale of all Offer GDRs (representing 249,706,175 underlying A Shares), the share capital of the Company will be RMB1,914,414,010.00 and consisting of 1,914,414,010 A Shares. In this case, the 249,706,175 New A Shares (corresponding to the underlying interests of 49,941,235 GDRs) will represent 13.04% of the share capital of the Company upon completion of the Offering. The Company expects that the GDRs will be listed in accordance with the Standard for Depository Receipts of SIX Exchange Regulation and that trading in the GDRs will commence on SIX Swiss Exchange on or around July 28, 2022.

Other Classes of Shares

As of the date of this Prospectus, our Company has not issued any preference shares or other classes of shares.

Own Shares

On May 5, 2022, the Board of Directors considered and approved an A Share repurchase plan (the "**Repurchase Plan**"). Under the Repurchase Plan, our Company may use no less than RMB200 million and up to RMB400 million of our own funds to repurchase A Shares at the repurchase price that shall not exceed RMB45 per share (inclusive) (subject to adjustment in certain cases such as dividend distribution) through centralized price bidding for purpose of implementing our equity incentive scheme. See "*—Outstanding Bonds, Conversion and Option Rights*." The period of the repurchase shall not exceed six months from the date of the Board's approval. As of the date of this Prospectus, we have repurchased 2,198,910 A shares, representing 0.13% of our share capital, at the cost of RMB64.8 million (exclusive of trading fees).

As of the date of this Prospectus, except as disclosed above, neither our Company nor any of its subsidiaries holds any own shares.

Cross Shareholdings

As of the date of this Prospectus, our Company does not have any cross-shareholdings exceeding 5% of the holdings of capital or voting rights on both sides.

Authorized Capital and Conditional Capital

The Company's Articles of Association do not allow any authorized capital or conditional capital.

Outstanding Bonds, Conversion and Option Rights

For details on our outstanding bonds, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Bonds*."

As of the date of this Prospectus, our Company has no outstanding debt instruments convertible into our Company's securities.

On August 26, 2021, the Board of Directors approved a proposal of an incentive stock option plan for certain Directors, members of the senior management and selected employees (the "**2021 ISO Plan**"), which was approved by the general meeting of the shareholders in September 2021. Under the 2021 ISO Plan, 1,063 persons were granted stock options to purchase up to an aggregate of 29,980,000 A Shares at RMB39.30 per share (subject to adjustment under certain circumstances) that were scheduled to vest in three installments commencing on the one-year anniversary of the grant date (October 28, 2021), subject to transfer and forfeiture restrictions as well as certain limitations on exercise. These stock options are performance based, so the number of A Shares to be obtained by each option holder upon exercise depends on the extent to which target operating revenue is met.

On April 27, 2022, the Board of Directors approved a proposal of an incentive stock option plan for certain Directors, members of the senior management and selected employees (the "**2022 ISO Plan**"), which was approved by the general meeting of the shareholders in May 2022. Under the 2022 ISO Plan, 1,723 persons were granted stock options to purchase up to an aggregate of 59,687,500 A Shares at RMB18.67 per share (subject to adjustment under certain circumstances) that were scheduled to vest in three installments commencing on the one-year anniversary of the grant date (July 8, 2022), subject to transfer and forfeiture restrictions as well as certain limitations on exercise. These stock options are performance based, so the number of A Shares to be obtained by each option holder upon exercise depends on the extent to which target operating revenue is met.

Description of A Shares

Shareholders of our Company shall enjoy rights and bear obligations according to the class and quantity of their shares. Holders of the same class of shares shall enjoy the same rights and bear the same obligations.

Form of A Shares

The A Shares are ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each. They have been issued by our Company in registered form and are fully paid-up.

The A Shares rank *pari passu* in all respects with each other, including, in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation of the Company.

The Company maintains a centralized registration of Shareholders with the CSDC. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

There is no provision in the Articles of Association deviating from statutory provisions under PRC laws.

Transfer of A Shares

Our A Shares have been listed on the Shenzhen Stock Exchange since October 18, 2006. A Shares can only be subscribed by, and traded between legal or natural persons of the PRC or qualified foreign institutional investors or eligible foreign strategic investors, and must be traded in Renminbi.

Voting Rights

A shareholder (including its proxy) shall vote based on the number of its voting shares, with one A Share representing one vote. A Shares held by us (if any) do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders attending a shareholders' general meeting. However, when voting to elect our Directors or Supervisors, each A Share shall have number of votes equal to the number of proposed Directors or Supervisors to be elected, and a shareholder may cast all its votes towards one or more candidates.

When material issues affecting the interests of minority shareholders are considered at a shareholders' general meeting, the votes of minority shareholders shall be counted separately. The results of such separate votes shall be disclosed publicly in a timely manner following such shareholders' general meeting.

When related-party transactions are considered at a shareholders' general meeting, related shareholder(s) shall not vote, and the voting shares held by such shareholder(s) shall not be counted in the total number of valid voting shares. The announcement of the resolutions of the shareholders' general meeting shall fully disclose the voting of non-related shareholders.

Shareholders' General Meetings

Pursuant to our Articles of Association, an annual shareholders' general meeting shall be held within six months after the end of each fiscal year, and an extraordinary shareholders' general meeting shall be held within two months upon the occurrence of incidents warranting such extraordinary shareholders' general meeting as described in our Articles of Associations.

The following persons may also request our Board of Directors to convene an extraordinary shareholders' general meeting: (i) any of our independent Directors, (ii) our Supervisory Committee; and (iii) any persons holding in aggregate 10% or more of our A Shares. If a request from persons holding in aggregate 10% or more of our A Shares is declined by our Board of Directors, such persons may request our Supervisory Committee to convene the extraordinary shareholders' general meeting, failing of which such persons (if having held 10% or more of our A Shares for consecutive 90 days or more) may convene the extraordinary shareholders' general meeting on their own. However, holders of the GDRs may not request an extraordinary shareholders' general meeting. See "*Terms and Conditions of the Global Depositary Receipts*."

A notice for an annual shareholders' general meeting shall be published at least 20 days prior to the date of the meeting, and a notice for an extraordinary shareholders' general meeting shall be published at least 15 days prior to the date of the meeting.

Our shareholders may attend shareholders' general meetings in person or by proxy. Our Articles of Association do not provide for a quorum for our shareholders' general meeting.

The following matters must be approved by an ordinary resolution at a shareholders' general meeting, which shall be passed by no less than half of the votes present at the meeting:

- working reports of the Board of Directors or the Supervisory Committee;
- profit distribution plans or loss recovery plans formulated by the Board of Directors;
- the appointment or removal of the members of the Board of Directors or the Supervisory Committee, their remunerations and the method of payment thereof;
- the Company's annual budget plan, final settlement plan, balance sheet, income statement or other financial statements;
- annual reports of the Company; and
- matters other than those that shall be subject to the approval by special resolutions pursuant to relevant laws, administrative regulations or the Articles of Association.

The following matters must be approved by an extraordinary resolution at a shareholders' general meeting, which shall be passed by no less than two thirds of the votes present at the meeting:

- the Company's increase or decrease of its registered capital or issuance of shares, warrants and other similar securities of any kind;
- the Company's issuance of corporate bonds;
- any division, spin-off, merger, dissolution and liquidation of the Company;
- any amendment to the Articles of Association;
- the Company's acquisition or disposal of major assets or provisions of guarantee within one year with the transaction amount exceeding 30% of the latest audited total assets of the Company;
- share incentives schemes;
- any adjustment or change of profit distribution policy;
- the Company's repurchase of its own shares under certain circumstances; and
- any other matter specified in the laws, regulations or the Articles of Association and confirmed by an ordinary resolution of the shareholders' meeting that it may have a material impact on the Company and accordingly shall be subject to the approval of the general meeting by special resolutions.

The following persons may make proposals to be included in the agenda of our shareholders' general meetings: (i) our Board of Directors; (ii) our Supervisory Committee; and (iii) any persons holding in aggregate 3% or more of our A Shares. However, holders of our GDRs are not entitled to introduce proposals to the agenda of our shareholders' general meetings. See "*Terms and Conditions of the Global Depositary Receipts*."

Rights to Dividends

We may distribute dividends in the form of cash, stock or a combination of cash and stock. Any proposed distribution of dividends is subject to the discretion of the senior management and the approval of the Board, the Supervisory Committee and the shareholders. The Board may recommend a distribution of dividends in the future after taking into account our Company's results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that the Board may deem relevant.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit for the year/period (on an after tax basis) only after we have made the following allocations:

- recovery of accumulated losses, if any;

- allocations to the statutory common reserve equivalent to 10% of our profits for the year/period (on an after tax basis), and, except when the balance of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no further allocations to this statutory reserve will be required; and

- allocations, if any, to a discretionary reserve as approved by our shareholders in a shareholders' meeting.

Subject to the aforesaid allocations and restrictions, the remaining profit for the relevant year/period (on an after tax basis) may be distributed as dividends to our shareholders in accordance with their shareholding percentage, except that A Shares held by our Company (if any) are not entitled to any dividends.

Within two months after a shareholders' general meeting approves a proposed dividend distribution, our Board of Directors shall complete the payment of such dividend.

In addition, we shall distribute cash dividends if the following conditions are met:

- we have sufficient cash to fund its operations after paying the cash dividend; and

- we do not have plans for material investment or expect material cash outflows (other than cash outflows funded by proceeds from securities offerings).

If all such conditions are met for a financial year, we shall distribute cash dividends with respect to that financial year in an aggregate amount of no less than 10% of the distributable profit realized for that year, and the accumulated profits for distribution in the most recent three financial years shall be no less than 30% of the average annual distributable profits realized in the same period.

When determining profit distribution plans, our Board of Directors shall consider, among others, the nature of the industry that we operate in, our current development stage, business model and profitability, and any expected material capital expenditures. Our Board of Directors shall propose differentiated profit distribution plans based on the factors described above and in accordance with our Articles of Association. In particular:

- where we are in a mature development stage and has no plan for material capital expenditures, cash dividends shall be no less than 80% of the total dividends to be distributed;

- where we are in a mature development stage and expects material capital expenditures, cash dividends shall no less than 40% of the total dividends to be distributed;

- where we are in a growing development stage and expects material capital expenditures, cash dividends shall be no less than 20% of the total dividends to be distributed; and

- where we are in a development stage which is difficult to classify and expects material capital expenditures, cash dividends shall be no less than 20% of the total dividends to be distributed.

See also "*Dividends and Dividend Policy*" and "*Tax Considerations—PRC Tax Considerations—Taxation on Dividends*."

Other Rights of Shareholders

In addition to the aforesaid voting rights, rights relating to the shareholder's general meetings and rights to dividends, our shareholders shall enjoy the following rights:

- to supervise, and make recommendations or inquiries on, our operations;
- to transfer, gift or pledge their A Shares in accordance with laws, administrative regulations and our Articles of Association;
- to inspect our Articles of Association, shareholders' register, corporate bond stubs, minutes of shareholders' general meetings, resolutions of our Board of Directors, resolutions of our Supervisory Committee, and financial and accounting reports;
- upon the dissolution or liquidation of our Company, to participate in the distribution of the residual assets of our Company in proportion to the number of A Shares they hold;
- to require our Company to buy back their A Shares if they voted against a resolution passed at a shareholders' general meeting concerning the merger or division of our Company; and
- to enjoy other rights provided by laws, administrative regulations, departmental rules or our Articles of Association.

Our shareholders do not have any pre-emptive rights with respect to our A Shares. Holders of GDRs are not entitled to certain rights available to the holders of our A Shares described above, such as inspection rights, rights to request a share buy-back or rights to bring shareholder actions against us. Rights of the GDR holders will be based on the terms and conditions of the Depositary Agreement. For a detailed description of the rights attached to our GDRs, see "*Terms and Conditions of the Global Depositary Receipts*."

Provisions Regarding Redemption of Shares

We may, in the following circumstances only, buy back our issued A Shares pursuant to laws, administrative regulations, departmental rules and our Articles of Association:

(i) to reduce the registered capital of our Company;

(ii) to merge with another company that holds A Shares in our Company;

(iii) to grant to employees as employee stock ownership plan or equity incentive plan;

(iv) from shareholders who voted against a resolution passed at a shareholders' general meeting on the merger or division of our Company and request our Company to buy back their A Shares;

(v) for the purposes of converting convertible corporate bonds we issued; and

(vi) to safeguard our Company's value and our shareholders' rights and interests as we deem necessary.

Buyback of our A Shares in circumstances (i) and (ii) set out above shall be approved by a resolution of a shareholders' general meeting; buyback of our A Shares in circumstances (iii), (v) and (vi) set out above shall be approved by a resolution of our Board of Directors with more than two thirds of the directors present at the Board meeting.

Where we buy back our issued A Shares, we shall (a) in circumstance (i) set out above, cancel the relevant A Shares within ten days from the date of the buyback; (b) in circumstances (ii) and (iv) set out above, we shall transfer or cancel the relevant A Shares within six months from the date of the buyback; and (c) in circumstances (iii), (v) and (vi) set out above, hold in aggregate no more than 10% of our total outstanding share capital and shall transfer or cancel the relevant A Shares within three years from the date of the buyback.

We may buy back our issued A Shares by any of the following ways:

- through public transactions on stock exchanges;
- through tender offers;
- by agreement without involving a stock exchange; and
- through other means as approved by the CSRC.

However, where we buy back our A Shares in circumstances (iii), (v) or (vi) set out above, we shall do so through public transactions.

Restrictions on Free Transferability of Shares

Subject to the following restrictions and save as otherwise specified by the PRC laws, administrative regulations, and relevant provisions of the securities regulatory authorities at the places where our equity securities are listed, our A Shares may be transferred freely and without any liens:

- we shall not accept our own Shares as the subject matter of a pledge;
- our Directors, Supervisors and senior management officers shall report to us their shareholdings and any changes thereto, and shall not transfer more than 25% of the Shares they hold each year during their terms of office; the Shares they hold in the Company shall not be transferred within one year from the date that the Shares are listed or within the six-month period following any termination of their service/employment with our Company; and
- if a Director, Supervisor, senior management officer, or a shareholder holding 5% or more of our Shares sells any Shares within six months after buying the same, or buys any Shares within six months after selling the same, the profit realized therefrom shall belong to the Company and the Board shall recover such earnings. However, this six-month restriction shall not apply to any sale of Shares by a securities firm holding 5% or more of the Company's Shares as a result of it having underwritten and purchased Shares not sold pursuant to an offering, or to other circumstances as prescribed by the CSRC.

Rules Relating to Mandatory Takeover Bids and/or Squeeze-out and Sell-out in Relation to Shares

Pursuant to the Measures for the Administration of Acquisition of Listed Companies promulgated by the CSRC and last amended in March 2020 (the "**PRC Takeover Rules**"), any person (the "**offeror**") who holds, controls or beneficially owns 30% or more of the shares in a company listed in the PRC (including our Company) and who wishes to further acquire additional shares in the listed company must (unless a waiver is granted by the CSRC or an exemption is available) do so through a tender offer to all other shareholders of the listed company to purchase:

- all or a specified percentage of their shares in the listed company, if the offeror is a direct shareholder of the listed company; or

- all their shares, if the offeror indirectly controls or holds the beneficial ownership of its existing shares through investments, agreements or other arrangements.

The offeror shall notify the target company, publish a takeover alert, and prepare and publish a tender offer report.

Pursuant to the PRC Takeover Rules, shares proposed to be purchased through a tender offer shall be no less than 5% of the outstanding shares of the listed company. The offeror shall treat all shareholders of the listed company equally, and the offer price shall be no less than the highest price the offeror has paid for the acquisition of the shares in the same listed company during the six months prior to its publication of the takeover alert. Unless there is a competing tender offer to acquire the same listed company, the offer period shall be no less than 30 days and no more than 60 days, during which the offeror may not cancel the tender offer. The Offeror may not, after the publication of the takeover alert and up to the expiry of the offer period, sell any shares in the listed company, or purchase any shares in the listed company through any other means. Any competing tender offer to acquire the same listed company must be made prior to the 15th day prior to the end of the offer period. Unless there is a competing tender offer to acquire the same listed company, the offeror may not change the terms of the tender offer during the last 15 days of the offer period.

If an offeror cancels the proposed tender after the publication of a takeover alert and prior to the publication of the tender offer report, such offeror may not acquire the same listed company within the 12 months thereafter.

Any shareholder may indicate its acceptance of the tender offer during the offer period, which may be withdrawn up to the third trading day prior to the end of the offer period. The shareholder who has indicated its acceptance of the tender offer may not transfer its shares unless such indication is withdrawn.

Major Shareholder Transactions

Pursuant to Several Provisions on the Stock-selling by Shareholders, Directors, Supervisors and Senior Management of Listed Companies promulgated by CSRC and effective in May 2017 and the Notice on Promulgation of the Implementing Rules of the Shenzhen Stock Exchange for the Sale of Shares by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies Promulgated by Shenzhen Stock Exchange and effective in May 2017, a major shareholder of a listed company who plans to sell stocks through call auction on a stock exchange shall, 15 trading days prior to the initial sale, report to the relevant stock exchange and disclose the stock-selling plan in advance, which shall be recorded by the stock exchange. Within the time interval of stock-selling disclosed in advance, a major shareholder shall disclose the progress of stock-selling in accordance with the provisions of the relevant stock exchange. After the completion of the implementation of the stock-selling plan, a major shareholder shall, within two trading days, report to the relevant stock exchange and release an announcement; within the time interval disclosed in advance, where stock-selling is not implemented or the stock-selling plan has not been completely implemented, the major shareholder shall, within two trading days upon expiration of the time interval of stock-selling, report to the relevant stock exchange and release an announcement. The total stocks sold by a major shareholder of a listed company through call auction on a stock exchange within three months shall not exceed 1% of the total stocks of the company.

Where stocks are sold through transfer by agreement, leading to the loss of the transferor's status as a major shareholder of a listed company, the transferor and the transferee of the stocks shall continue to abide by restrictions hereof within six months after the stock-selling.

Where a major shareholder or a specific shareholder sells shares by way of bulk trading, the total of shares sold in any consecutive 90 natural days shall not exceed 2% of the total shares of the relevant company. The transferees involved in the aforesaid trading shall not transfer the shares transferred to them within six months after the transfer.

Management Transactions

According to PRC laws and regulations, where there is any change in shareholding of the Company by a Director, Supervisor, or senior management of the Company, he or she shall, within two trading days upon occurrence of the change, report to the Company and make an announcement on the website of the Shenzhen Stock Exchange. Such announcement shall include: (1) the number of shares in the Company held at the end of the previous year; (2) the date, number, and transaction price of each change in shareholding since the end of the previous year to the relevant change; (3) the number of shares held before the relevant change; (4) the date, number, and transaction price of shares involved in the relevant change; (5) the number of shares held after the relevant change; and (6) other matters required to be disclosed by the Shenzhen Stock Exchange.

See also "*SIX Swiss Exchange—Directive on Disclosure of Management Transactions*."

Foreign investment and exchange control regulations in Switzerland

Other than in connection with government sanctions imposed on certain persons from the Republic of Iraq, the Islamic Republic of Iran, Yemen, Libya, Sudan, the Republic of South Sudan, Burundi, the Democratic Republic of Congo, Somalia, Guinea-Bissau, Syria, Myanmar (Burma), Zimbabwe, Belarus, Guinea, the Democratic People's Republic of Korea (North Korea), the Central African Republic, the Republic of Mali, Venezuela, Nicaragua, persons and organisations with connections to Osama bin Laden, the "Al-Qaeda" group or the Taliban, and certain measures in connection with the prevention of circumvention of international sanctions in connection with the situation in Ukraine, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

*The following terms and conditions (the "**Conditions**"), subject to completion and amendment and excepting sentences in italics, will apply to the global depositary receipts (the "**GDRs**") and will be endorsed on each global depositary receipt certificate (the "**GDR Certificates**").*

The GDRs are issued in respect of the A shares of Gotion High-tech Co., Ltd. (the "**Company**"), having a nominal value of RMB1.00 each (the "**Shares**"), pursuant to and subject to the Deposit Agreement dated July 25, 2022 by and between the Company and Citibank, N.A., as depositary (the "**Depositary**") (the "**Deposit Agreement**"). Each GDR represents the right to receive, subject to the terms of the Deposit Agreement and these Conditions, five Shares on deposit under the terms of the Deposit Agreement.

Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed China Construction Bank Corporation as custodian to receive and hold in an account of the Depositary the Shares from time to time deposited under the Deposit Agreement (the "**Deposited Shares**"), and to receive and hold for the account and to the order of the Depositary all rights, securities, property and cash deposited with or via the Custodian which are attributable to the Deposited Shares (such rights, securities, property and cash together with the Deposited Shares, the "**Deposited Property**"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued. In these Conditions references to the "**Depositary**" are to Citibank, N.A. and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "**Custodian**" are to China Construction Bank Corporation or any other custodian which may from time to time be appointed under the Deposit Agreement and references to the "**office of the Custodian**" mean, in relation to the Custodian, the principal office of the Custodian in the PRC (currently at No. 25 Financial Street, Xicheng District, Beijing, the PRC 100033).

References in these Conditions to the "**Holder**" of any GDR shall mean the person registered as the holder of any GDR on the books of the Depositary maintained for such purpose. References in these Conditions to "**Beneficial Owner**" of any GDR shall mean any person who is the beneficial owner of GDRs as determined in accordance with Rule 13d-3 and Rule 13d-5 under the Exchange Act. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the GDR Certificate in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the principal office of the Depositary. Holders and Beneficial Owners are deemed, by virtue of being a Holder or Beneficial Owner, to have notice of, and be subject to, all of the applicable provisions of the Deposit Agreement and these Conditions. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement.

The Depositary shall hold Deposited Property for the benefit of the Holders as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued and the Holders will accordingly be tenants in common of such Deposited Property to the extent of the Deposited Property corresponding to the GDRs in respect of which they are the Holders. For the avoidance of doubt, in acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property as bare trustee as aforesaid, does not assume any relationship of trust for or with the Holders or the Beneficial Owners or any other person. Any right or power of the Depositary in respect of Deposited Property is reserved by the Depositary under its declaration of trust contained in this paragraph and is not given by way of grant by any Holder or Beneficial Owner.

Holders and Beneficial Owners of GDRs are not parties to the Deposit Agreement and thus, under English law, have no contractual rights against, or obligations to, the Company or Depositary. However, the Deed Poll executed by the Company in favor of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce certain specified provisions of the Deposit Agreement in respect of the number of Deposited Shares represented by such Holder's GDRs as if it were the Depositary.

Holders and Beneficial Owners are deemed, by virtue of being a Holder or Beneficial Owner and owning, acquiring or holding, as the case may be, a GDR, to have notice of and be subject to all applicable provisions of the Deposit Agreement and these Conditions. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement or these Conditions on behalf of any Holder or Beneficial Owner of a GDR or any other person.

*GDRs will initially take the form of global GDRs evidenced by a Master GDR Certificate (the "**Master GDR Certificate**") registered in the name of Citivic Nominees Limited as nominee for Citibank Europe plc, as common depositary (the "**Common Depositary**"), and will initially be held by the Common Depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") and for the account of accountholders in Euroclear or Clearstream ("**Euroclear Participants**" and "**Clearstream Participants**", respectively, each a "**Participant**"), as the case may be.*

The Master GDR Certificate will be exchangeable for a GDR Certificate in definitive registered form in the limited circumstances as described below.

If at any time Euroclear or Clearstream, as the case may be, ceases to make its respective book-entry settlement systems available for the GDRs, the Company and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary will make available GDR Certificates in definitive registered form.

Under the terms of the GDRs, each purchaser of GDRs is deemed to have represented and agreed, among other things, that the GDRs have not been and will not be registered under the Securities Act and may be offered, sold, pledged or otherwise transferred only in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. Each GDR will contain a legend to the foregoing effect.

For a description of the restrictions on the transfer of the GDRs see "Selling and Transfer Restrictions—Transfer Restrictions" and "Offer and Sale."

1 Deposit of Shares

A. The Depositary may, in accordance with the terms of the Deposit Agreement, but subject to these Conditions, and upon delivery of (x) a duly executed or electronically submitted order (in a form approved by the Depositary) and (y) a duly executed or electronically submitted deposit certification substantially in the form attached to the Deposit Agreement by or on behalf of any investor who is to become the Beneficial Owner of the GDRs (other than in the case of a deposit of Shares by the Company or an Affiliate of the Company which shall be subject to Clause 7.1.4 of the Deposit

Agreement), from time to time issue and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects and, subject to the terms of the Deposit Agreement, these Conditions and applicable law, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The deposit certificate to be provided pursuant to the Deposit Agreement certifies, among other things, that the person providing such certificate is not an "affiliate" of the Company, has acquired, or has agreed to acquire and will have acquired, the Shares to be deposited in an "offshore transaction" (as defined in Regulation S) and will comply with the restrictions on transfer applicable to GDRs set forth under "Selling and Transfer Restrictions—Transfer Restrictions."

B. Subject to the terms and conditions of the Deposit Agreement and applicable law, upon (i) physical delivery to the Custodian of Shares, or book-entry transfer of Shares to an account in the name of the Depositary at the CSDC, (ii) physical or electronic delivery to the Depositary of the applicable deposit certification unless the deposit of Shares is made by the Company or an Affiliate of the Company in which case such deposit will be subject to Clause 7.1.4 of the Deposit Agreement, and (iii) payment of necessary taxes, governmental charges (including transfer taxes) and other charges as set forth in the Deposit Agreement and fees, costs, expenses and other charges of the Depositary as set forth in Clause 10.1 of the Deposit Agreement and Condition 19, the Depositary will (i) adjust its records for the number of GDRs issued in respect of the Shares so deposited, (ii) notify the Common Depositary to increase the number of GDRs evidenced by the Master GDR Certificate, and (iii) make delivery of the GDRs so issued to the applicable Participant specified in the applicable order received for such purpose.

C. Subject to the limitations set forth in the Deposit Agreement and applicable law, the Depositary may (but is not required to) issue GDRs prior to the delivery to it of Shares in respect of which such GDRs are to be issued against evidence to receive rights from the Company (or any agent of the Company involved for the Company in the maintenance or ownership or transactions records for the Shares) in the form of a written blanket or specific guarantee of ownership furnished by the Company (or any agent of the Company involved for the Company in the maintenance or ownership or transactions records for the Shares).

D. Any further GDRs issued pursuant to Condition 1(A) which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will, subject to Clause 3.14 of the Deposit Agreement be represented by a separate master partial entitlement GDR certificate (each a "**Master Partial Entitlement GDR Certificate**"). Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by the Master GDR Certificate (by increasing the total number of GDRs evidenced by the Master GDR Certificate or by the number of such further GDRs, as applicable).

E. Subject to the further terms and provisions of the Deposit Agreement, Citibank, N.A., its agents and Affiliates, on their own behalf, may own and deal in any class of securities of the Company and its Affiliates and in GDRs. In its capacity as Depositary, the Depositary shall not lend Shares or GDRs.

F. Any person delivering Shares for deposit under the Deposit Agreement and Condition 1 and any Holder or Beneficial Owner may be required and will be deemed to accept, by virtue of being a Holder or a Beneficial Owner, that, from time to time, it will be required to furnish the Depositary or the Custodian with such proof, certificates and representations and warranties as to matters of fact, including without limitation the citizenship and residence of the depositor, taxpayer status, payment of all applicable taxes or governmental charges, exchange control approvals, legal or beneficial ownership of GDRs and Deposited Property, compliance with all applicable laws, the terms of the Deposit Agreement, these Conditions and the provisions of, or governing, the Deposited Property and the identity and genuineness of any signature on any of the supporting instruments or other documents, and with such further documents and information as the Depositary may deem necessary or appropriate for the administration or implementation of the Deposit Agreement and these Conditions. The Depositary, the Registrar or the Custodian may withhold acceptance of Shares for deposit, withhold delivery or registration of issuance or transfer of all or part of any GDR Certificate, withhold adjustment of the Master GDR Certificate to reflect increases in Shares represented thereby or withhold the distribution or sale of any dividend or distribution of rights or of the net proceeds of the sale thereof or the delivery of any Deposited Property, until such proof or other information is filed or such certifications are executed, or such representations are made or such other documentation or information is provided in each case to the satisfaction of the Depositary, the Registrar or the Custodian.

G. Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary shall not be required to accept for deposit or maintain on deposit in its account maintained by the Custodian (a) any fractional Shares or fractional Deposited Property, or (b) any number of Shares or Deposited Property which, upon application of the ratio of GDRs to Shares or Deposited Property, as the case may be, would give rise to fractional GDRs. No Share shall be accepted for deposit unless accompanied by evidence, if any is required by the Depositary or the Custodian, that is reasonably satisfactory to the Depositary or the Custodian that all conditions for such deposit have been satisfied by the person depositing such Shares under the laws and regulations of the PRC and any necessary approval has been granted by any applicable governmental body in the PRC (if any), including, without limitation, if applicable, any regulator of currency exchange.

H. Each person depositing Shares under the Deposit Agreement and these Conditions shall be deemed thereby to represent and warrant that (i) such Shares (and the certificates therefor) are duly authorised, validly issued, fully paid, nonassessable and legally obtained by such person, (ii) all preemptive (and similar) rights with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorised so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit have not been stripped of any rights or entitlements, and (vi) the Shares are not, and the GDRs will not be, "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act). Such representations and warranties shall survive the deposit and withdrawal of Shares and the issuance and cancellation of GDRs in respect thereof and the transfer of such GDRs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorised, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

Each person depositing Shares, taking delivery of or transferring GDRs or any beneficial interest therein, or surrendering GDRs or any beneficial interest therein and withdrawing Shares under the Deposit Agreement and these Conditions shall be deemed thereby to acknowledge that the GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act, and may not be offered, sold, pledged or otherwise transferred except in accordance with the restrictions on transfer set forth in the Securities Act Legend, and such person shall be deemed thereby to represent and warrant that such deposit, transfer or surrender or withdrawal complies with the foregoing restrictions. Such representations and warranties shall survive any such deposit, taking delivery of, transfer, surrender or withdrawal of the Shares or the GDRs or any beneficial interest therein.

2 Withdrawal of Deposited Property

A. Subject to the terms and provisions of the Deposit Agreement, these Conditions the procedures of the CSDC and applicable law, any Holder may request withdrawal of the Deposited Property attributable to any GDR upon production of such evidence that such person is the Holder of, and entitled to, the relative GDR as the Depositary may reasonably require at the principal office of the Depositary accompanied by:

(i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn or evidence of the electronic transfer thereof to be delivered to or upon the order in writing of, the person or persons designated in such order;

(ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement including, but not limited to the fees, costs, expenses and other charges of the Depositary set forth in Clause 10.1 of the Deposit Agreement and Condition 19; and

(iii) (x) surrender of a GDR Certificate at the Principal New York Office or Principal London Office, if Euroclear or Clearstream, as the case may be, book-entry settlement system is not then available for GDRs, or (y) receipt by the Depositary at the Principal New York Office of instructions from Euroclear or Clearstream, as the case may be, or a Euroclear Participant or Clearstream Participant or their respective nominees, on behalf of any Beneficial Owner together with a corresponding credit to the Depositary's account at Euroclear or Clearstream, as the case may be, for the GDRs so surrendered, if the book-entry settlement system is then available for GDRs, in either case for the purpose of withdrawal of the Deposited Property represented thereby.

B. Withdrawals of Deposited Shares may be subject to such transfer restrictions or certifications, as the Company or the Depositary may from time to time determine to be necessary for compliance with applicable laws.

C. Upon production of such documentation and the making of such payment as aforesaid in accordance with paragraph (A) of this Condition 2, the Depositary will direct the Custodian, within a reasonable time after receiving such direction from such Holder, to deliver at its office, to, or to the order in writing of, the person(s) designated in the accompanying order:

(i) a certificate for, or other appropriate instrument of title to, or evidence of book-entry transfer of, the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid or evidence of the electronic transfer of such other Deposited Property;

provided that the Depositary:

(x) may make delivery of (a) any cash dividends or cash distributions or (b) any proceeds from the sale of any distributions of Shares or rights which are held by the Depositary in respect of the Deposited Property represented by the GDRs surrendered for cancellation and withdrawal; and

(y) at the request, risk and expense of any Holder surrendering a GDR for cancellation and withdrawal, will direct the Custodian to forward any cash or other property (other than securities) held by the Custodian in respect of the Deposited Property represented by such GDRs to the Depositary,

in each case at the Principal New York Office or the Principal London Office (if permitted by applicable law from time to time).

D. Delivery by the Depositary and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

E. If any GDR surrendered and cancelled represents fractional entitlements in Deposited Shares, the Depositary shall cause the appropriate whole number of Deposited Shares to be withdrawn and delivered in accordance with the terms of the Deposit Agreement and this Condition 2 and shall, at the discretion of the Depositary, either (i) issue and deliver to the person surrendering such GDR a new GDR representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the GDR surrendered and remit proceeds of such sale (net of (a) fees and charges of, and expenses incurred by, the Depositary, and (b) taxes withheld) to the person surrendering the GDR.

3 Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The issuance and delivery of GDRs against deposits of Shares generally or deposits of particular Shares may be suspended or withheld, or the registration of transfer of GDR Certificates in particular instances may be refused, or the registration of transfers generally may be suspended or refused, during any period when the transfer books of the Depositary, the Company, a registrar of GDRs or any registrar of Shares are closed, or if any such action is deemed necessary or advisable by the Company or the Depositary in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the GDRs or Shares are listed, an applicable court order, or under any provision of the Deposit Agreement, these Conditions, or the provisions of or governing the Deposited Property, or any meeting of shareholders of the Company or for any other reason. The Depositary may restrict the transfer of Deposited Shares where the Company notifies the Depositary in writing that such transfer would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Articles of Association or would otherwise violate any applicable laws.

Notwithstanding any provision of the Deposit Agreement, these Conditions or any GDR Certificate to the contrary, Holders and Beneficial Owners are entitled to surrender outstanding GDRs to withdraw the Deposited Shares at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any laws or governmental regulations or an applicable court order relating to the GDRs or to the withdrawal of the Deposited Shares.

4 Transfer and Ownership

A. GDRs are to be issued in registered form. Title to the GDRs passes upon registration in the records of the Depositary. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in a violation of applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, any certificate issued in respect of it) and no person will be liable for so treating the Holder.

   The Depositary will maintain Holder records, including a register of Holders, at its principal office in New York and shall ensure that no register of Holders is maintained in the United Kingdom.

   For a description of the restrictions on the transfer of the GDRs see "Selling and Transfer Restrictions—Transfer Restrictions."

B. Notwithstanding any other provision of the Deposit Agreement or these Conditions, each Holder and Beneficial Owner, by virtue of their ownership of any GDR or any Deposited Property, shall be deemed thereby to agree to comply with requests from the Company or the Depositary from time to time pursuant to PRC law, any request made by a regulatory authority or any stock exchange on which the Shares are, or may be registered, traded or listed, or the Articles of Association, which are made to provide information, **inter alia**, as to the capacity in which such Holder or former Holder, Beneficial Owner or former Beneficial Owner holds or held, owns or owned a beneficial ownership interest in GDRs (and Deposited Property, as the case may be) and regarding the identity of any other person interested in such GDRs (and Deposited Property), the nature of such interest and various related matters, whether or not they are Holders and/or Beneficial Owners at the time of such request.

C. Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of GDRs, to satisfy reporting requirements or obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of GDRs are solely responsible for complying with such reporting requirements and obtaining such approvals. By virtue of their ownership of any GDR or any Deposited Property, each Holder and Beneficial Owner shall be deemed thereby to agree to file such reports and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. None of the Depositary, the Custodian, the Company or any of their respective agents or Affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

5 Cash Distributions

Whenever the Depositary receives, or receives confirmation from the Custodian of the receipt from the Company of, any cash dividend or other cash distribution on or in respect of the Deposited Shares or receipt of proceeds from the sale of any Shares, rights, securities or other entitlements under the terms of the Deposit Agreement or these Conditions, the Depositary shall, if at the time of receipt thereof any amounts received in Foreign Currency can in the judgement of the Depositary (pursuant to Condition 11) be converted on a practicable basis into Dollars transferable to the U.S., promptly convert, or cause to be converted, such dividends, distribution or proceeds into Dollars in the terms described in Condition 11 and will promptly distribute the amount thus received (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes withheld) to the Holders entitled thereto. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributable shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of GDRs then outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Property an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders in respect of the GDRs representing such Deposited Property shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request.

6 Distributions of Shares

If any distribution upon any Deposited Property consists of a dividend in, or free distribution of, Shares, the Company shall cause such Shares to be deposited via the Custodian and, if applicable, registered in the name of the Depositary, the Custodian or any of their nominees, as the case may be. Upon receipt of confirmation of such deposit from the Custodian, the Depositary shall establish the GDR Record Date upon the terms described in Condition 10 and shall, subject to the terms of the Deposit Agreement and these Conditions, either (i) distribute to the Holders as at the GDR Record Date in proportion to the number of GDRs held as at the GDR Record Date, additional GDRs, which represent the aggregate number of Shares received as such dividend or free distribution, subject to the other terms of the Deposit Agreement and Conditions and net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes, by either (x) if GDRs are not available in book-entry form, issuing additional GDR Certificates for an aggregate number of GDRs representing the number of Shares received as such dividend or free distribution, or (y) if GDRs are available in book-entry form, reflecting on the records of the Depositary such increase in the aggregate number of GDRs representing such Shares and give notice to the Common Depositary of the related increase in the number of GDRs evidenced by the Master GDR Certificate, or (ii) if additional GDRs are not so distributed, each GDR issued and outstanding after the GDR Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional Shares distributed upon the Deposited Property represented thereby, net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes. In lieu of delivering fractional GDRs, the Depositary shall sell the number of Shares represented by the aggregate of such fractions and distribute the net proceeds of such sale upon the terms described in Condition 5. If the Depositary determines that any distribution in Shares would violate applicable law, is not operationally practicable, is subject to any tax or other governmental charges which the Depositary is obliged to withhold, or if the Company, in the fulfillment of its obligations under Clause 7.1.4 of the Deposit Agreement, has furnished an opinion of U.S. counsel determining that the distribution to Holders of the Shares and the GDRs representing such Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such Shares in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale, after deduction of (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes, to Holders entitled thereto upon the terms described in Condition 5. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement and these Conditions.

7 Distributions Other than Cash or Shares

Whenever the Depositary receives from the Company property other than cash, Shares or rights to purchase additional Shares and receives a notice from the Company indicating that the Company wishes such distribution to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall distribute the property so received to the Holders of record as at the GDR Record Date set in accordance with Condition 10, in proportion to the number of GDRs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution. If (i) the Company does not request the Depositary to make such distribution to Holders or requests not to make such distribution to Holders, (ii) the

Depositary does not receive documentation within the terms of Clause 7.1.4 of the Deposit Agreement, or (iii) the Depositary determines (in accordance with Clause 5.1 of the Deposit Agreement) that all or a portion of such distribution is not lawful or is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (x) cause the proceeds of such sale, if any, to be converted into Dollars in accordance with Condition 11, and (y) distribute the proceeds of such conversion received by the Depositary (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as at the GDR Record Date upon the terms of Condition 5. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances.

8 Rights Issues

A. Whenever the Company intends to distribute to the holders of the Deposited Property rights to subscribe for additional Shares, and provides a notice to the Depositary indicating that the Company wishes such rights to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall (x) establish a GDR Record Date (upon the terms described in Condition 10), (y) establish procedures to distribute such rights (by means of warrants or otherwise) and/or to enable the Holders to exercise the rights (upon payment of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) issue and deliver GDRs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent such assistance is necessary and reasonably practicable in establishing such procedures.

   Nothing herein shall oblige the Depositary to make available to the Holders a method to exercise such rights to subscribe for Shares (rather than for GDRs).

B. If (i) the Depositary fails to receive satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement or determines that it is not lawful or not reasonably practicable to make the rights available to Holders or (ii) the Company requests that the rights not be made available to Holders of GDRs or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public and private sale) as it may deem practicable. The Company shall assist the Depositary to the extent such assistance is necessary and reasonably practicable to determine such legality and practicability. If the Depositary sells such rights, the Depositary shall, upon such sale, (x) cause the proceeds of such sale, if any, to be converted into Dollars upon the terms described in Condition 11, and (y) distribute the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Condition 5.

   If the Depositary is unable to make any rights available to Holders upon the terms described in the Deposit Agreement or to arrange for the sale of the rights upon the terms described above, the Depositary shall allow such rights to lapse.

The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such rights available to Holders in general or any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with any sale or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

C. Notwithstanding anything to the contrary in the Deposit Agreement or this Condition 8, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders unless and until a registration statement under the Securities Act covering such offering is in effect. If the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of rights an amount on account of taxes or other governmental charges, the amount distributed to the Holders of GDRs representing such Deposited Property shall be reduced accordingly. If the Depositary determines that any distribution of Deposited Property or rights to subscribe therefor is subject to any tax or other governmental charges which the Depositary is obliged to withhold, the Depositary may dispose of all or a portion of such Deposited Property or rights to subscribe therefor in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges. There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to exercise such rights on the same terms and conditions as the holders of Deposited Property or to exercise such rights. Nothing in the Deposit Agreement or this Condition 8 shall oblige the Company to file any registration statement in respect of any rights or Deposited Property or other securities to be acquired upon the exercise of such rights.

9 Redemption

If the Company intends to exercise any right of redemption in respect of any of the Deposited Property, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.2 of the Deposit Agreement, the Depositary shall send to each Holder a notice in accordance with Condition 25 setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Property in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire GDRs and cancel GDRs upon delivery of such GDRs by Holders thereof and on the terms set forth in the applicable Conditions. If less than all outstanding Deposited Property is redeemed, the GDRs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per GDR shall be the per share amount received by the Depositary upon the redemption of the Deposited Shares represented by GDRs (subject to the terms of the Deposit Agreement and the applicable fees and charges of, and expenses incurred by, the Depositary, and taxes) multiplied by the number of Deposited Shares represented by each GDR redeemed.

10 GDR Record Dates

Whenever the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Property entitled to receive any distribution (whether in cash, Shares, rights or other distribution), or whenever, for any reason, the Depositary causes a change in the number of Deposited Shares that are represented by each GDR, or whenever the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Property, or whenever the Depositary finds it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix a record date (the "**GDR Record Date**") for the determination of the Holders of GDRs who shall be entitled to receive such dividend or distribution, to give instructions for the exercise of voting rights at any such meeting, or to give or withhold such consent, or to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Deposited Shares represented by each GDR. The Depositary shall make reasonable efforts to establish the GDR Record Date as closely as practicable to the applicable record date for the Deposited Property (if any) set by the Company in the PRC. Subject to applicable law and the provisions of the Deposit Agreement and Conditions, only the Holders of GDRs at the close of business in New York on such GDR Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

If the GDR Record Date is different from the applicable record date for the Shares set by the Company in the PRC, the Depositary shall suspend generally the issuance and delivery of GDRs against deposits of Shares and the registration of transfers of GDRs during the period in between the GDR Record Date and the record date for the Shares.

11 Conversion of Foreign Currency

Whenever the Depositary or the Custodian shall receive any Foreign Currency by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the Foreign Currency so received can in the judgement of the Depositary be converted on a practicable basis into Dollars transferable to the United States and distributed to the Holders entitled thereto, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine, the Foreign Currency so received into Dollars and shall distribute such Dollars (net of applicable fees, any customary expenses properly incurred on behalf of Holders in complying with currency exchange control or other governmental requirements) in accordance with the terms of the applicable Conditions. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution shall be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of any application of exchange restrictions or otherwise. If such conversion or distribution generally or with regard to a particular Holder can be effected only with the approval or license of any government or agency thereof, the Depositary shall have the authority, with the assistance of the Company to the extent necessary and reasonably practicable, to file such application, for such approval or license, if any, as it may consider desirable. In no event, however, shall the Depositary be obliged to make such a filing. If at any time the Depositary shall determine that in its judgement the conversion of any currency other than

Dollars and the transfer and distribution of proceeds of such conversion received by the Depositary is not practicable or lawful, or if any approval or license of any government or agency thereof which is required for such conversion, transfer or distribution is denied or, in the opinion of the Depositary, is not obtainable at a reasonable cost, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, the Depositary may in its discretion (i) make such conversion and distribution in Dollars to the Holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) to Holders for whom this is lawful and practicable, and (iii) hold (or cause the Custodian to hold) such Foreign Currency (without liability for interest thereon) for the respective accounts of the Holders entitled to receive the same.

12 Distribution of any Payments

Any distribution of cash under Condition 5, 6, 7, 8, 9, 13 or 14 will be made by the Depositary to those Holders who are Holders of record on the GDR Record Date established by the Depositary in accordance with Condition 10 for that purpose and, distributions will be made in Dollars subject to Condition 11 by cheque drawn upon a bank in New York City, electronic transfer or, in the case of the Master GDR Certificate, according to usual practice between the Depositary and Euroclear and Clearstream, as the case may be. The Depositary may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law in respect of such GDR or the related Deposited Property.

13 Capital Reorganization

Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Property, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Company or to which it is a party, any securities which shall be received by the Depositary or the Custodian in exchange for, or in conversion, replacement or otherwise in respect of, such Deposited Property shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement and these Conditions, and the GDRs shall, subject to the terms of the Deposit Agreement, these Conditions and applicable law, evidence GDRs representing the right to receive such replacement securities. The Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, with respect to (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) taxes) and these Conditions, and subject to the receipt by the Depositary of an opinion of counsel reasonably satisfactory to the Depositary (obtained at the expense of the Company) that such distributions are not in violation of any applicable laws or regulations, execute and deliver additional GDRs or make appropriate adjustments in its records, as in the case of a stock dividend on the Shares, or call for the surrender of outstanding GDRs to be exchanged for new GDRs, in either case, as well as in the event of newly deposited Shares, with necessary modifications to the form of GDR attached to the Deposit Agreement specifically describing such new Deposited Property or corporate change. Notwithstanding the foregoing, if any security so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall if the Company requests, subject to the receipt by the Depositary of an opinion of counsel reasonably satisfactory to the Depositary (obtained at the expense of the Company) that such action is not in violation of any applicable laws or regulations, sell such securities at public or private sale, at such place or places and upon such terms as it may deem proper, and may allocate the net proceeds of such sales (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary, and (b) taxes) for the account of the Holders otherwise entitled to such securities upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Condition 5. The Depositary shall not be responsible for (i) any failure to determine that it is lawful or practicable to make such securities available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such securities.

14 Elective Distributions

Wherever the Company intends to distribute a dividend payable at the election of the holders of Shares in cash or in additional Shares and provides a notice to the Depositary indicating that the Company wishes such elective distribution to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall make such elective distribution available to Holders. If the Depositary fails to receive satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement or determines that it is not lawful or not reasonably practicable to make the elective distribution available to Holders of GDRs, or if the Company requests that such elective distribution not be made available to Holders of GDRs, the Depositary shall, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in the PRC in respect of the Shares for which no election is made, either (x) cash upon the terms described in Condition 5, or (y) additional GDRs representing such additional Shares upon the terms described in Condition 6. If the above conditions are satisfied, the Depositary shall establish a GDR Record Date in accordance with Condition 10 and establish procedures to enable Holders to elect the receipt of the proposed dividend in cash or in additional GDRs. The Company shall assist the Depositary in establishing such procedures to the extent such assistance is necessary and reasonably practicable. If a Holder elects to receive the proposed dividend (x) in cash, the dividend shall be distributed upon the terms described in Condition 5, or (y) in GDRs, the dividend shall be distributed upon the terms described in Condition 6. Nothing in the Deposit Agreement or this Condition 14 shall oblige the Depositary to make available to Holders a method to receive the elective dividend in Shares (rather than GDRs). There can be no assurance that Holders and Beneficial Owners generally, or any Holder or Beneficial Owner in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of the Deposited Property.

15 Taxation and Applicable Laws

A. Payments to Holders of dividends or other distributions made to Holders on or in respect of the Deposited Property will be subject to deduction of PRC and other withholding taxes, if any, at the applicable rates, and notwithstanding any other provision of the Deposit Agreement or these Conditions, the Depositary and the Custodian will be entitled, subject to applicable law, to deduct from any cash dividend or other cash distribution which either of them receives from the Company such amount as is necessary in order to provide for any tax, charge, fee or other amount that is, or could become, payable by or on behalf of the Depositary to fiscal or other governmental authority on account of receiving such cash dividend or other cash distribution.

The Holder or Beneficial Owner of any GDR or any Deposited Property shall be deemed thereby to accept (by virtue of his ownership or deposit, as the case may be) that, if any tax or other governmental charge shall become payable with respect to any GDR, Deposited Property or GDR Certificate, such tax or other governmental charge shall be payable by the Holder and Beneficial Owner to the Depositary. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue or deliver GDRs, to register the transfer, split-up or combination of GDR Certificates and the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. The Depositary may, for the account of the Holder or Beneficial Owner, discharge the same out of the proceeds of sale, subject to PRC laws and regulations, of an appropriate number of Deposited Shares or other Deposited Property with the Holder and Beneficial Owner remaining liable for any deficiency and being entitled to distribution of any surplus. Any such request shall be made by giving notice pursuant to Condition 25.

By virtue of its ownership of any GDR or Deposited Property, each Holder and Beneficial Owner shall be deemed to agree to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for such Holder or Beneficial Owner. The obligations of Holders and Beneficial Owners under this Condition 15A shall survive any transfer of GDRs, any cancellation of GDRs and withdrawal of Deposited Shares, and the termination of the Deposit Agreement.

B. If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in the PRC in order for the Depositary to receive from the Company Shares to be deposited under these Conditions or in order for Shares, other securities or other property to be distributed under Condition 5, 6, 7, 13 or 14 or to be subscribed under Condition 8, the Depositary shall request that the Company apply or assist in the application of, as the case may be, for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such law. In this connection, the Company has undertaken in the Deposit Agreement to take such action, as may reasonably be required and to the extent reasonably practicable, assist in obtaining or filing the same. The Depositary shall not distribute GDRs, Shares, other securities or other property with respect to which such authorisation, consent or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent or permit or to file any such report.

16 Voting Rights

A. Holders of GDRs will have voting rights with respect to the Deposited Shares. The Company has agreed in the Deposit Agreement to notify the Depositary of any meeting of holders of Shares of the Company at which holders of Shares or other Deposited Property are entitled to vote, or of solicitation of consents or proxies from holders of Shares or other Deposited Property and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 16.

As soon as practicable after receipt from the Company of any such notice, the Depositary will fix the GDR Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Condition 10. The Depositary shall, if requested by the Company in writing in a timely manner in accordance with Clause 5.3 of the Deposit Agreement and at the Company's expense and provided no U.S., Swiss, English or PRC legal prohibitions exist, distribute to Holders as at the GDR Record Date: (a) such notice of meeting or solicitation of consent or proxy as well as any other material provided by the Company to the Depositary in connection therewith, (b) a statement that the Holders at the close of business in New York on the GDR Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, these Conditions, the Articles of Association and the provisions of or governing the Deposited Property (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Property represented by such Holder's GDRs, and (c) a brief statement as to the manner in which such voting instructions may be given.

B. Voting instructions may be given to the Depositary only in respect of a number of GDRs representing an integral number of Shares or other Deposited Property. Subject to applicable law, the provisions of the Deposit Agreement, these Conditions, the Articles of Association and the provisions of the Deposited Property, if the Depositary has received voting instructions from a Holder as at the GDR Record Date to vote the Deposited Property on or before the date specified by the Depositary, the Depositary shall endeavour, in so far as is practicable and permitted by PRC law and practice, to vote or cause the Custodian to vote the Shares and/or other Deposited Property represented by such Holder's GDRs for which timely and valid voting instructions have been received in the manner so instructed by such Holders. Holders of GDRs will not be able to instruct the Depositary to introduce proposals for the agenda of meetings of holders of Shares; request that a meeting of holders of Shares be called; or nominate candidates for the Board of Directors or certain other of the Company's governance bodies.

C. Neither the Depositary nor the Custodian shall, under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of the Shares or other Deposited Property represented by GDRs except pursuant to and in accordance with such instructions from Holders. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Property represented by such Holder's GDRs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to vote in favor of the items set forth in such voting instructions. Notwithstanding anything else contained herein or in the Deposit Agreement, the Depositary shall, if so requested in writing by the Company, represent all Deposited Property (whether or not voting instructions have been received in respect of such Deposited Property from Holders as at the GDR Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

D. There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

By continuing to hold GDRs, all Holders and Beneficial Owners shall be deemed to have agreed to the provisions of this Condition 16 as it may be amended from time to time in order to comply with applicable PRC law.

E. Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Property if the taking of such action would violate U.S., English, Swiss or PRC laws. The Company agrees to take any and all actions reasonably necessary to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Property and to deliver to the Depositary an opinion of U.S., Swiss, English and/or PRC counsel (obtained at the expense of the Company), if so requested by the Depositary, addressing any actions requested to be taken.

17 Liability

A. Neither the Depositary nor the Company shall be obliged to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or these Conditions or shall incur any liability (i) if the Depositary or the Company shall be prevented or forbidden from, or delayed in, doing any act or thing required by the terms of the Deposit Agreement or these Conditions, by reason of any provision of any present or future law or regulation of the U.S., Switzerland, England, the PRC or any other country, or of any relevant governmental or regulatory authority or stock exchange, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Association or any provision of or governing any Deposited Property or by reason of any other circumstances beyond their control (including, without limitation, acts of God or war, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, acts of terrorism, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, these Conditions or in the Articles of Association or provisions of or governing Deposited Property, (iii) for any action or inaction in reliance upon the advice or information from any professional adviser (including legal counsel and accountants), any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorised representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, but only insofar as the terms of this subsection (iii) are not prohibited by applicable law, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Shares but is not, under the terms of the Deposit Agreement or these Conditions, made available to Holders of GDRs or (v) for any consequential or punitive damages for any breach of the terms of the Deposit Agreement or these Conditions.

B. In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or the Beneficial Owners.

C. The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented by the proper party or parties (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

D. No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement or these Conditions.

E. Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the GDRs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

F. The Depositary has no obligation under the Deposit Agreement to take steps to monitor, supervise or enforce the observance and performance by the Company of its obligations under the Deposit Agreement or these Conditions.

G. Neither the Depositary, the Custodian nor any of their agents, officers, directors or employees shall be liable (except by reason of its own gross negligence, bad faith fraud or willful default or that of its agents, officers, directors or employees) to the Company or any Holder or owner of a GDR, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs purporting to be such and subsequently found to be forged or not authentic.

H. The Depositary and each of its agents (and any holding, subsidiary or associated company of the Depositary) may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or Affiliates or in relation to the Deposited Property (including, without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank or in any other capacity, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and any sales of property) without accounting to Holders or any other person for any profit arising therefrom.

I. The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 6, 7, 8, 13 or 14 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures, but shall have no liability (in the absence of its own gross negligence, fraud, bad faith or willful default, or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be legally permissible or otherwise possible.

J. The Depositary shall, subject to all applicable laws, have no responsibility whatsoever to the Company, any Holder, Beneficial Owner or person with an interest in a GDR as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

K. In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement or these Conditions, the Depositary shall not, except as otherwise expressly provided in Condition 24, be obliged to have regard to the consequence thereof for the Holders, Beneficial Owners, a person with an interest in a GDR or any other person.

L. Notwithstanding anything else herein contained, the Depositary may refrain, without liability, from doing anything that would or might in its reasonable opinion be contrary to any law of any state or jurisdiction (including but not limited to the U.S. or any jurisdiction forming a part of it, England and Wales, Switzerland and the PRC) or any directive or regulation of any agency of any such state or jurisdiction and may, without liability, do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.

M. The Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable PRC law. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issue of GDRs if notified by the Company, or if the Depositary becomes aware of the fact that such transfer or issue would be in violation of the limitations set forth above or any other applicable laws.

N. The Depositary may call for, and shall be at liberty to accept as sufficient and rely upon, evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company, by the Board of Directors or by a person duly authorised by the Board of Directors, or such other certificate from persons which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible to any person for any loss or liability that may be occasioned by the Depositary acting and relying on such certificate.

O. The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Property, or for the manner in which any vote is cast or the effect of any vote (other than where such failure or action is a result of its own gross negligence, fraud, bad faith or willful default). The Depositary shall not incur any liability (save in the case of its own gross negligence, fraud, bad faith or willful default) for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the creditworthiness of any third party, for any tax consequences that may result from the ownership of GDRs, Shares or Deposited Property, for allowing any rights to lapse upon the terms of the Deposit Agreement and these Conditions, for the failure or timeliness of any notice from the Company.

P. No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and/or security and/or prefunding against such risk of liability is not assured.

Q. The Depositary may, in the performance of its obligations in these Conditions and the Deposit Agreement, instead of acting personally, employ an agent, whether a lawyer or other person, including obtaining an opinion of legal advisers in form and substance reasonably satisfactory to it, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money. Save for the failure on the part of the Depositary to exercise due care in the selection or retention of any such agent, the Depositary will not be liable to anyone for any misconduct or omission by any such agent so employed by it or be bound to supervise the proceedings or acts of any such agent.

R. None of the Depositary, the Custodian, the Company or any of their respective agents or Affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy reporting requirements or obtain regulatory approvals under applicable laws and regulations which shall be the sole responsibility of the Holders and Beneficial Owners as described in Condition 4C.

S. Save in the case of the Depositary's gross negligence, willful default, bad faith or fraud, the Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary.

T. Save in the case of the Depositary's gross negligence, willful default, bad faith or fraud, the Depositary shall not be liable for any acts or omissions made by a predecessor depositary whether in connection with an act or omission of the Depositary or in connection with any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary.

18 Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or in replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of destruction, loss or theft) at the Principal New York Office.

19 GDR Fees and Charges

A. The following GDR fees are payable under the terms of the Deposit Agreement:

(i) **Issuance Fee**: by any person for whom the GDRs are issued (i.e., an issuance upon a deposit of Shares, upon a change in the GDR(s)-to-Share(s) ratio, or for any other reason (excluding issuances as a result of distributions described in paragraph (iv) below), a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) issued under the terms of the Deposit Agreement and these Conditions;

(ii) **Cancellation Fee**: by any person for whom GDRs are being cancelled (e.g., a cancellation of GDRs for delivery of Deposited Property, upon a change in the GDR(s)-to-Share(s) ratio, or for any other reason), a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) cancelled;

(iii) **Cash Distribution Fee**: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (e.g., upon the sale of rights and other entitlements);

(iv) **Stock Distribution/Rights Exercise Fees**: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of GDRs pursuant to (a) stock dividends or other free stock distributions or (b) an exercise of rights to purchase additional GDRs;

(v) **Other Distribution Fee**: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of securities other than GDRs or rights to purchase additional GDRs (e.g., spin-off shares);

(vi) **GDR Services Fee**: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held on the applicable record date(s) established by the Depositary;

(vii) **Registration Fee**: by any person for whom or to whom GDRs are transferred, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) transferred for the registration of GDR transfers (e.g., upon a registration of the transfer of registered ownership of GDRs, upon a transfer of GDRs into Euroclear or Clearstream and *vice versa*, or for any other reason); and

(viii) **Conversion Fee**: by any person for whom GDRs are converted or to whom the converted GDRs are delivered, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) converted for the conversion of GDRs of one series for GDRs of another series (e.g., upon the conversion of Partial Entitlement GDRs for Full Entitlement GDRs, and *vice versa*).

Certain of the GDR fees and charges (such as the GDR Services Fee) may become payable shortly after the closing of an offering of the GDRs.

In addition, the Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Property in connection with GDR issuances and cancellations and persons for whom GDRs are issued or cancelled shall be responsible for the following charges under the terms of the Deposit Agreement:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Property on the share register and applicable to transfers of Shares or other Deposited Property to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Property or of the Holders and Beneficial Owners of GDRs;

(iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, Deposited Property, GDRs and GDR Certificates; and

(vi) the fees and expenses incurred by the Depositary, the Custodian or any nominee in connection with the servicing or delivery of Deposited Property.

B. Any other charges and expenses of the Depositary under the Deposit Agreement and these Conditions will be paid by the Company upon agreement between the Depositary and the Company. All GDR fees and charges may, at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of GDR fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated by Condition 24. The Depositary shall provide, without charge, a copy of its latest GDR fee schedule to anyone upon request.

C. GDR fees and charges payable for (i) the issuance of GDRs and (ii) the cancellation of GDRs will be payable by the person for whom the GDRs are so issued by the Depositary (in the case of GDR issuances) and by the person for whom GDRs are being cancelled (in the case of GDR cancellations). In the case of GDRs issued by the Depositary into Euroclear or Clearstream, the GDR issuance and cancellation fees and charges will be payable by the Euroclear Participant(s) or Clearstream Participant(s) receiving the GDRs from the Depositary or the Euroclear Participant(s) or Clearstream Participant(s) holding the GDRs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the Euroclear Participant(s) or Clearstream Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the Euroclear Participant(s) or Clearstream Participant(s) as in effect at the time. GDR fees and charges in respect of distributions and the Depositary services fee are payable by Holders as of the applicable GDR Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable GDR fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the Depositary services fee, the applicable Holders as of the GDR Record Date established by the Depositary will be invoiced for the amount of the GDR fees and charges, and such GDR fees and charges may be deducted from distributions made to Holders. For GDRs held through Euroclear or Clearstream, the GDR fees and charges for distributions other than cash and the Depositary services fee may be deducted from distributions made through Euroclear and Clearstream and may be charged to the Participants in accordance with the procedures and practices prescribed by Euroclear or Clearstream from time to time and the Participants in turn charge the amount of such GDR fees and charges to the Beneficial Owners for whom they hold GDRs.

D. The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the GDR program established pursuant to the Deposit Agreement, by making available a portion of the GDR fees charged in respect of the GDR program or otherwise, upon such terms and conditions as the Company and the Depositary may agree from time to time. The Company shall pay to the Depositary such fees and charges and reimburse the Depositary for such out of pocket expenses as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

20 Listing

The Company has undertaken in the Deposit Agreement to use its reasonable endeavours to obtain and thereafter maintain, so long as any GDR is outstanding, admission of trading for GDRs on the SIX Swiss Exchange and a listing of the Shares on the SSE. For that purpose, the Company will pay all fees and sign and deliver all undertakings required by the SIX Swiss Exchange and the SSE in connection therewith.

21 The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold all Deposited Property in an account of the Depositary or for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement. The Custodian shall be responsible solely to the Depositary. Upon receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the

Deposit Agreement. Whenever the Depositary, in its sole discretion, determines that it is in the best interest of the Holders to do so, it may terminate the appointment of the Custodian provided that the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. The Depositary shall use reasonable endeavours to procure that a Custodian is appointed at all times. The Depositary shall notify Holders of such change as soon as is practically possible following such change taking effect in accordance with Condition 25.

22 Resignation and Termination of Appointment of the Depositary

A. The Depositary may, without giving a reason and without liability for any cost or expenses in connection therewith at any time resign as Depositary by written notice delivered to the Company, which resignation shall be effective on the earlier to occur of (i) the 90th day after delivery thereof to the Company, after which the Depositary shall be entitled to take the termination actions contemplated in Condition 23(A), and (ii) the appointment by the Company of a successor depositary and the acceptance by such successor depositary of such appointment.

   The Depositary may at any time be removed by the Company by written notice delivered to the Depositary, which removal shall be effective on the later to occur of (i) the 90th day after delivery thereof to the Company, after which the Depositary shall be entitled to take the termination actions contemplated in Condition 23(A), and (ii) the appointment by the Company of a successor depositary and the acceptance by such successor depositary of such appointment.

B. The Company has undertaken in the Deposit Agreement to use its reasonable efforts to procure the appointment of a successor depositary following the receipt of a notice of resignation from the Depositary or the giving of a notice of the termination of the appointment of the Depositary. Upon any such appointment and acceptance, notice thereof shall be duly given by the successor depositary to the Holders in accordance with Condition 25.

C. Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

23 Termination of the Deposit Agreement

A. The Company may at any time terminate the Deposit Agreement. Upon written direction of the Company, the Depositary shall provide notice of such termination to the Holders of all GDR Certificates then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination.

   If ninety (90) days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign pursuant to Clause 11.1 of the Deposit Agreement and Condition 22(A) or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary pursuant to Clause 11.1 of the Deposit Agreement and Condition 22(A) and, in either case, a successor depositary shall not have been appointed and accepted its appointment as provided in Clause 11.1 of the Deposit Agreement and Condition 22(B), the Depositary may terminate the Deposit Agreement by providing notice of such termination to the Holders of all GDR Certificates then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination.

The date fixed for termination of the Deposit Agreement in any termination notice distributed by the Depositary to the Holders of GDRs is referred to as the "**Termination Date**." Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreement and these Conditions, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement and these Conditions.

B. If any GDRs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement or these Conditions, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreement and these Conditions, continue to (i) collect dividends and other distributions pertaining to Deposited Property, (ii) sell securities and other property received in respect of Deposited Property, (iii) deliver Deposited Property, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any securities or other property, in exchange for GDRs surrendered to the Depositary (after deducting or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Clause 10.1 of the Deposit Agreement and Condition 19), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreement.

At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro-rata benefit of the Holders whose GDRs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions except (i) to account for such net proceeds and other cash (after deducting or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Clause 10.1 of the Deposit Agreement and Condition 19), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement and these Conditions, except for its obligations to the Depositary under Clause 10 of the Deposit Agreement and Condition 19. The obligations under the terms of the Deposit Agreement and these Conditions of Holders and Beneficial Owners of GDRs outstanding as at the Termination Date shall survive the Termination Date and shall be discharged only when the applicable GDRs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement and these Conditions (except as specifically provided therein).

C. Notwithstanding anything contained in the Deposit Agreement or any GDR, in connection with the termination of the Deposit Agreement, the Depositary may, independently and without the need for any action by the Company, make available to Holders of GDRs a means to withdraw the Deposited Shares represented by their GDRs and to direct the deposit of such Deposited Shares into an unsponsored global depositary receipts program established by the Depositary, upon such terms and conditions as the Depositary may deem reasonably appropriate, subject however, in each case, to satisfaction of the requirements by the unsponsored global depositary receipts program under the Securities Act, and to receipt by the Depositary of payment of the applicable fees and charges of, and reimbursement of the applicable expenses incurred by, the Depositary.

24 Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions may at any time and from time to time be amended by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of the Deposit Agreement and these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders of the outstanding GDRs until the expiry of thirty (30) days after such notice shall have been given. Every Holder or Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold GDRs or any beneficial interest therein to consent to and approve such amendment or supplement and to be bound by the terms of the Deposit Agreement and these Conditions as amended and supplemented thereby.

In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Clause 3 of the Deposit Agreement and Condition 2, the Deposited Property attributable to the relevant GDR except in order to comply with mandatory provisions of applicable law.

The parties hereto agree that substantial rights of Holders and Beneficial Owners shall not be deemed materially prejudiced by any amendments or supplements which (i) are necessary (as agreed by the Company and the Depositary) in order for the GDRs or Shares to be settled in electronic-book entry form and (ii) do not impose or increase any fees or charges to be borne by Holders or Beneficial Owners.

Notwithstanding anything in the Deposit Agreement or these Conditions to the contrary, if any governmental body should adopt new laws, rules or regulations which would require an amendment or supplement of the Deposit Agreement or these Conditions to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement, and these Conditions at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and these Conditions in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

25 Notices

Any and all notices to be given to any Holder shall be deemed to have been duly given if (a) personally delivered or sent by mail, air courier or facsimile transmission, confirmed by letter, addressed to such Holder at the address of such Holder as it appears on the books of the Depositary or, if such Holder shall have filed with the Depositary a request that notices intended for such Holder be mailed to some other address, at the address specified in such request, or (b) if a Holder shall have designated such means of notification as an acceptable means of notification under the terms of the Deposit Agreement and these Conditions, by means of electronic messaging addressed for delivery to the e-mail address designated by the Holder for such purpose.

Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the Deposit Agreement and these Conditions. Failure to notify a Holder or any defect in the notification to a Holder shall not affect the sufficiency of notification to other Holders or to the Beneficial Owners of GDRs held by such other Holders.

Delivery of a notice sent by mail, air courier or facsimile transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a facsimile transmission) is deposited, postage prepaid, in a post office letter box or delivered to an air courier service, without regard for the actual receipt or time of actual receipt thereof by a Holder. The Depositary or the Company may, however, act upon any facsimile transmission received by it from any Holder, the Custodian, the Depositary or the Company, notwithstanding that such facsimile transmission shall not be subsequently confirmed by letter.

Delivery of a notice by means of electronic messaging shall be deemed to be effective at the time of the initiation of the transmission by the sender (as shown on the sender's records), notwithstanding that the intended recipient retrieves the message at a later date, fails to retrieve such message, or fails to receive such notice on account of its failure to maintain the designated e-mail address, its failure to designate a substitute e-mail address or for any other reason.

26 Copies of Company Notices

On the day when the Company first gives notice, by publication, or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, the Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary a copy of such notice and any other material in English but otherwise in the form given or to be given to holders of Shares or other Deposited Property.

In addition, save as otherwise agreed with the Depositary, the Company will transmit to the Depositary English-language versions of the other notices, reports and communications which are generally made available by the Company to holders of Shares or other Deposited Property. The Depositary will, at the expense of the Company, make available a copy of any such notices, reports or communications issued by the Company and delivered to the Depositary for inspection by the Holders and Beneficial Owners at the Principal New York Office and the Principal London Office, at the office of the Custodian and at any other designated transfer office. The Depositary shall arrange, at the request of the Company and at the Company's expense, for the distribution of copies thereof to all Holders on a basis similar to that for holders of Shares or other Deposited Property or on such other basis as the Company may advise the Depositary.

27 Moneys Held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any holder or any other person for any interest thereon, except as otherwise agreed.

28 Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

29 Governing Law

A. The Deposit Agreement, these Conditions, the Deed Poll and the GDRs, and any non-contractual obligations arising out of or in connection with them, are governed by and construed in accordance with English law, except that the required certifications from the persons making deposits or withdrawals of Shares pursuant to the Deposit Agreement are governed by and shall be construed in accordance with the laws of the State of New York. For the avoidance of doubt, the rights and obligations attaching to the Deposited Shares will be governed by PRC law.

B. Any claim, dispute or difference of whatever nature arising under, out of or in connection with the Deposit Agreement, the Conditions or the GDRs and the legal relationship established thereby (including any claim, dispute or difference regarding the existence, termination or validity of the Deposit Agreement, the Conditions or the GDRs or any non-contractual obligations arising out of or in connection with the Deposit Agreement, the Conditions or the GDRs), shall be referred to, and finally resolved by, binding arbitration in accordance with the rules of the London Court of International Arbitration (the "**LCIA**"), which rules shall be deemed incorporated into this Condition 29(B).

   The place of the arbitration shall be London, England and the language of the arbitration shall be English.

   The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall constitute one 'side' which shall nominate one arbitrator; the respondent(s), irrespective of number, shall constitute one 'side' which shall nominate the second arbitrator; and a third arbitrator, who shall serve as Chairman, shall be appointed by the LCIA tribunal.

   The jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996 is expressly excluded.

   The arbitrators shall have no power or authority to award damages not measured by the prevailing party's actual damages.

   The arbitrators' award shall be final and binding upon the parties and their respective successors, heirs, executors and assigns.

Each of (a) the Company; (b) the Depositary; and (c) the Holders and the Beneficial Owners (who are deemed, by virtue of being a Holder or Beneficial Owner and owning, acquiring or holding, as the case may be, a GDR, to have notice of and be subject to all applicable provisions of the Deposit Agreement and these Conditions):

i. irrevocably consents to the consolidation of two or more arbitrations commenced pursuant to this Condition 29(B) pursuant to the LCIA rules (or as otherwise permitted), and to be joined, and to the joinder of any other persons, to such consolidated arbitration(s);

ii. agrees not to challenge the terms and enforceability of this Condition 29(B), including, but not limited to, any challenge based on lack of mutuality, and hereby irrevocably waives any such challenge;

iii. irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it or they may now or hereafter have to the proceedings brought in the arbitration proceedings specified in this Condition 29(B), and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in the arbitration proceedings that any proceedings brought in the arbitration proceedings specified in this Condition 29(B) has been brought in an inconvenient forum;

iv. irrevocably and unconditionally waives, to the fullest extent permitted by law, and agrees not to plead or claim, any right of sovereign or other immunity from proceedings brought in the arbitration proceedings specified in this Condition 29(B) with respect to any matter arising out of, or in connection with the Deposit Agreement, the Conditions, the Deed Poll or the GDRs or any right of sovereign or other immunity in respect of its property for the purposes of the enforcement of any arbitral award given in such arbitration proceedings; and

v. hereby ‘opts out’ of Article 9B of the LCIA rules.

30 Contracts (Rights of Third Parties) Act 1999

A person who is not a party to the Deposit Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 (the “**Act**”) of the United Kingdom to enforce any term of the Deposit Agreement but this does not affect any right or remedy granted under the Deed Poll or which otherwise exists or is available apart from the Act.

The GDRs will initially be evidenced by a single Master GDR Certificate in registered form. The Master GDR Certificate will be registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc as Common Depositary for Euroclear and Clearstream on the date the GDRs are issued.

The Master GDR Certificate contains provisions which apply to the GDRs whilst they are in master form. Words and expressions given a defined meaning in the Conditions shall have the same meanings in this section unless otherwise provided in this section.

Exchange

The Master GDR Certificate will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in paragraphs (i), (ii), (iii) or (iv) below in whole but not in part and until exchanged in full subject to the Conditions and the Deposit Agreement. The Depositary will irrevocably undertake in the Master GDR Certificate to deliver certificates in definitive registered form representing GDRs in exchange for the relevant Master GDR Certificate to the Holders within 60 calendar days in the event that:

(i) Euroclear or Clearstream notifies the Company that it is unwilling or unable to continue as clearing or settlement system and a successor clearing or settlement system is not appointed within 90 calendar days; or

(ii) Euroclear or Clearstream is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 calendar days; or

(iii) the Depositary has determined that, on the occasion of the next payment in respect of the Master GDR Certificate, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the Master GDR Certificate which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense of the Holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear or Clearstream. Upon any exchange of a Master GDR Certificate for certificates in definitive registered form, or any distribution of GDRs pursuant to Conditions 4, 5, 6, 7 or 9 or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 2, or any increase in the number of GDRs following the deposit of Shares pursuant to Condition 1, the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the relevant Master GDR Certificate shall be reduced or increased (as the case may be) for all purposes by the number so exchanged and entered on the register. If the number of GDRs represented by a Master GDR Certificate is reduced to zero, such Master GDR Certificate shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will be made by the Depositary through Euroclear and Clearstream on behalf of persons entitled thereto upon receipt of funds therefore from the Company. Any free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the records maintained by the Depositary being adjusted to reflect the enlarged number of GDRs represented by the relevant Master GDR Certificate.

Holders of GDRs will have voting rights as set out in the Conditions.

Surrender of GDRs

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by Euroclear or Clearstream on behalf of a person entitled to an interest therein of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, as appropriate. The delivery or production of any such evidence shall be sufficient evidence in favor of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs and to issue voting instructions.

Notices

For as long as the Master GDR Certificate is registered in the name of a nominee for a common depositary holding on behalf of Euroclear and Clearstream, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream, or (as appropriate), for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 25.

Governing Law

The Master GDR Certificate, and any non-contractual obligations arising out of or in connection with the Master GDR Certificate, shall be governed by and construed in accordance with English law.

The Depositary

The Depositary is Citibank, N.A., a national banking association organized under the laws of the United States. The Depositary is an indirect wholly-owned subsidiary of Citigroup, Inc., a Delaware corporation. The Depositary is primarily regulated by the United States Office of the Comptroller of the Currency. See "*Information Relating to the Depositary*." There are no bank or other guarantees attached to the GDRs which are intended to underwrite the Depositary's obligations.

Rights of Holders of GDRs

Relationship of Holders of GDRs with the Depositary: The rights of Holders against the Depositary are governed by the Conditions and the Deposit Agreement, which are governed by English law. The Depositary and the Company are parties to the Deposit Agreement. Holders of GDRs have contractual rights in relation to cash and other Deposited Property (including Deposited Shares, which are Shares of the Company represented by GDRs) deposited with the Depositary under Clause 3 of the Deposit Agreement, and otherwise under the Deposit Agreement by virtue of the Deed Poll. The Depositary will hold the Deposited Shares and other non-cash assets as bare trustee for the Holders; however, the Depositary does not otherwise assume any relationship of trust for or with the Holders or the beneficial owners of the GDRs or any other person. Any cash held by the Depositary for Holders will be held by the Depositary as banker.

Voting: With respect to voting of Deposited Shares and other Deposited Property represented by GDRs, the Conditions and the Deposit Agreement provide that, upon receipt of notice from the Company of any meeting at which the holders of Shares or other Deposited Property are entitled to vote, or of a solicitation of consent or proxy from holders of Shares or Deposited Property, the Depositary shall, providing that no relevant legal prohibitions exist, send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be as close as possible to the corresponding record date set by the Company) such notice of meeting or solicitation of consent or proxy, along with a brief statement on the manner in which such Holders may provide the Depositary with voting instructions for matters to be considered. The Deposit Agreement provides that the Depositary will endeavor to exercise or cause to be exercised the voting rights with respect to Deposited Shares in accordance with instructions from Holders. As of the date of this Prospectus, the Company confirms that there are no restrictions under applicable law, the Articles of Association or the provisions of the Deposited Shares that would prohibit or restrict the Depositary from voting any of the Deposited Shares in accordance with instructions from Holders, except for those generally applicable to all shareholders of the Company.

Delivery of Deposited Shares: Pursuant to the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges, GDR holders will not be permitted to redeem their GDRs and hold the Deposited Shares underlying such GDRs in an on-shore account (such as a QFI account) or have the underlying Deposited Shares held on their behalf by a Designated Broker. If GDR holders wish to hold A Shares they must purchase them separately either from the funds received from a sale of GDRs (whether a sale of GDRs on SIX Swiss Exchange (or another legitimate trading venue) or a redemption of GDRs and sale of the underlying A Shares on the Shenzhen Stock Exchange through a Designated Broker) or from funds unconnected with their holding of GDRs. GDR holders or former GDR holders that are non-PRC investors may only hold A Shares if they are QFIIs or RQFIIs or are otherwise able to hold A Shares through another exemption.

Rights of the Company

The Company has broad rights to remove the Depositary under the terms of the Deposit Agreement, but no specific rights under the Deposit Agreement which are triggered in the event of the insolvency of the Depositary.

Insolvency of the Depositary

Applicable insolvency law: If the Depositary becomes insolvent, the insolvency proceedings will be governed by US laws applicable to the insolvency of banks.

Effect of applicable insolvency law in relation to cash: The Conditions state that any cash held by the Depositary for Holders is held by the Depositary as banker. Under current US and English law, it is expected that any cash held for Holders by the Depositary as banker under the Conditions would constitute an unsecured obligation of the Depositary. Holders would therefore only have an unsecured claim in the event of the Depositary's insolvency for such cash that would also be available to general creditors of the Depositary.

Effect of applicable insolvency law in relation to non-cash assets: The Deposit Agreement states that the Deposited Shares and other non-cash assets which are held by the Depositary for Holders are held by the Depositary as bare trustee and, accordingly, the Holders will be tenants in common for such Deposited Shares and other non-cash assets. Under current US and English law, it is expected that any Deposited Shares and other non-cash assets held for Holders by the Depositary on trust under the Conditions would not constitute assets of the Depositary and that Holders would have ownership rights relating to such Deposited Shares and other non-cash assets and be able to request the Depositary's receiver or conservator to deliver such Depositary Shares and other non-cash assets that would be unavailable to general creditors of the Depositary.

Default of the Depositary

If the Depositary fails to pay cash or deliver non-cash assets to Holders in the circumstances required by the Conditions or the Deposit Agreement or otherwise engages in a default for which it would be liable under the terms of the Conditions or the Deposit Agreement, the Depositary will be in breach of its contractual obligations under the Conditions. In such case, Holders will have a claim under English law against the Depositary for the Depositary's breach of its contractual obligations under the Deposit Agreement.

The Custodian

The Custodian is China Construction Bank Corporation, a joint stock limited company incorporated in the PRC with limited liability.

Relationship of Holders of GDRs with the Custodian: The Custodian and the Depositary are parties to a custody agreement, which is governed by Hong Kong law. The Holders do not have any contractual relationship with, or rights enforceable against, the Custodian. The Depositary will hold the Deposited Shares in electronic form in an account with CSDC. The CSDC account will be in the name of the Depositary and the Deposited Shares will be registered in the Company's share register in the name of the Depositary and deposited in the GDR facilities.

Default of the Custodian

Failure to deliver cash: Any cash dividend payments from the Company (which are expected to be denominated in Renminbi) will initially be received by the Depositary in a custody account held with the Custodian in the Depositary's name. Subject to applicable PRC regulations, amounts received from the Company by the Depositary into its account with the Custodian will then be converted into USD by the Custodian in accordance with the Conditions and the USD will be wired to the Depositary's account in New York. After deduction of any fees and expenses of the Depositary, the USD will then be credited to the appropriate accounts of the Holders. If the Custodian fails to deliver cash to the Depositary as required under the custody agreement or otherwise engages in a default for which it would be liable under the terms of the custody agreement, the Custodian will be in breach of its contractual obligations under the custody agreement. In such case, the Depositary would have a claim under Hong Kong law against the Custodian for the Custodian's breach of its contractual obligations under the custody agreement. The Depositary can also remove the Custodian and appoint a successor custodian and may exercise such rights if it deems necessary.

Failure to deliver non-cash assets: If the Custodian fails to deliver Deposited Shares or other non-cash assets held for the Depositary as required by the custody agreement or otherwise defaults under the terms of the custody agreement, the Custodian will be in breach of its contractual obligations to the Depositary. In such case, the Depositary will have a claim under Hong Kong law against the Custodian for the Custodian's breach of its contractual obligations under the custody agreement. The Depositary can also remove the Custodian and may appoint a substitute or additional custodians and exercise such rights if it deems necessary.

The Depositary's obligations: The Depositary has no obligation to pursue a claim for breach of obligations against the Custodian on behalf of Holders. The Depositary is not responsible for and shall incur no liability in connection with or arising from default by the Custodian due to any act or omission to act on the part of the Custodian.

Insolvency of the Custodian

Applicable law: If the Custodian becomes insolvent, the insolvency proceedings will be governed by applicable PRC law.

Effect of applicable insolvency law in relation to cash: On an insolvency of the Custodian, cash held by the Custodian in a custody account for the Depositary would not constitute assets of the Custodian and the Depositary would have ownership rights relating to such cash. As a result, the Depositary would have the right to claim the cash in the custody account in full, without being subject to insolvency proceedings.

Effect of applicable insolvency law in relation to non-cash assets: All of the Deposited Shares will be registered in the name of the Depositary and be held by the Depositary in an account under its own name with the CSDC. In the event that the Custodian becomes insolvent, as legal title to the Deposited Shares will be held by the Depositary and the Deposited Shares will not be under the possession or control of the Custodian, the Deposited Shares will not constitute part of the Custodian's assets subject to the insolvency proceedings.

The Depositary's obligations: The Depositary has no obligation to pursue a claim in the Custodian's insolvency on behalf of the Holders. The Depositary has no responsibility for, and will incur no liability in connection with or arising from, the insolvency of any custodian. In the event of the insolvency of the Custodian, the Holders have no direct recourse to the Custodian under the Deposit Agreement, though the Depositary can remove the Custodian and appoint a substitute or additional custodian(s) and may exercise such rights if it deems necessary.

PERSONS HOLDING TITLE TO GDRS OR BENEFICIAL INTERESTS THEREIN ARE REMINDED THAT THE ABOVE DOES NOT CONSTITUTE LEGAL ADVICE AND IN THE EVENT OF ANY DOUBT REGARDING THE EFFECT OF THE DEFAULT OR INSOLVENCY OF THE DEPOSITARY OR THE CUSTODIAN, SUCH PERSONS SHOULD CONSULT THEIR OWN ADVISORS IN MAKING A DETERMINATION.

Standard for Depository Receipts

As of the date on which the listing of the GDRs on SIX Swiss Exchange in accordance with the Standard for Depository Receipts becomes effective, and for so long as any of the GDRs remain listed on SIX Swiss Exchange, the Company will be subject to the Listing Rules and any additional regulations enacted by SIX Exchange Regulation.

SIX Swiss Exchange (SIX Swiss Exchange AG; formerly known as SWX Swiss Exchange AG) was founded in 1993 as the successor to the local stock exchanges in Zurich, Basel and Geneva. Full electronic trading in foreign equities and derivatives began in 1995. In 1996, SIX Swiss Exchange introduced full electronic trading in Swiss equities, derivatives and bonds. In 2008, the SWX Swiss Exchange AG changed its name to SIX Swiss Exchange AG.

A listing in accordance with the Standard for Depository Receipts requires, *inter alia*, that (i) the articles of association of the issuer comply with the national law to which the issuer is subject, (ii) the operating and financial track record of the issuer extends over a period of at least three years, (iii) the issuer's consolidated equity capital amounts to at least CHF 25 million, (iv) at the time of the listing, at least 20% of the issuer's outstanding GDRs in the same category are in public ownership and the capitalisation of those securities in public ownership amounts to a minimum of CHF 25 million, (v) the issuer reports according to PRC GAAP for PRC companies, (vi) the GDRs have been validly issued at the time of listing, (vii) the depository must either be governed by the Swiss Banking Act (BA) or, as securities firm, by the Financial Institutions Act (FinIA) or be subject to equivalent foreign supervision, and (viii) the deposit agreement must provide for the underlying shares to be held by the depository on a fiduciary basis (or on the basis of similar arrangements under applicable law) on behalf of the investors with rights to the global depository receipts in question so that they can be separated and segregated in favor of the investors in the event of debt restructuring or insolvency of the depositary, and for the depository to exercise all property and membership rights attached to the underlying shares in the interests of those investors.

As of the date of this Prospectus, no issuer (of depositary receipts) and around 250 equity issuers were listed on SIX Swiss Exchange (source: https://www.six-group.com/en/products-services/the -swiss-stock-exchange/market-data/shares/companies.html).

General Rules on Securities Trading

Trading on SIX Swiss Exchange occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading in GDRs begins each business day at 15:00 p.m. Central European Time ("**CET**") or Central European Summer Time ("**CEST**"), as applicable, and continues until 5:20 p.m. CET or CEST (as applicable), at which time the closing auction starts, and continues until trading closes at 5:30 p.m. CET or CEST (as applicable), with a random close of trading within two minutes. Following the closing auction, "Trading-At-Last" ("**TAL**") provides investors with on book trading at the official closing price until 5:40 CET or CEST (as applicable). After the close of exchange trading, new orders can be entered or deleted until 10:00 p.m. CET or CEST (as applicable). From 6:00 a.m. CET or CEST (as applicable), new entries and enquiries can be made until 11:00 a.m. CET or CEST (as applicable). The system is not available between 10:00 p.m. and 6:00 a.m. CET or CEST (as applicable). For the opening phase (starting at 15:00 p.m. CET or CEST (as applicable)), the system closes the order book and starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held to determine the daily closing price for all equity securities traded on SIX Swiss Exchange. At the start of the closing auction, the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction according to rules that are similar to the opening procedure.

Transactions take place through the automatic matching of orders. Each valid order of at least a round lot is entered and listed according to the price limit. A round lot of the GDRs is expected to consist of one GDR. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are listed at the same price, they are executed according to the time of entry. SIX Swiss Exchange may provide for a duty to trade on SIX Swiss Exchange in individual market segments. Members of SIX Swiss Exchange must observe the principle of best execution for any off-exchange transaction during the trading period. Transactions in GDRs effected by or through members of SIX Swiss Exchange are subject to a stock exchange levy. This levy includes the reporting fee and is payable per trade and participant. The fee is defined individually for each trading segment.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on SIX Swiss Exchange. For transactions effected via the exchange system, reporting occurs automatically. Off-order book transactions during trading hours need to be reported to SIX Swiss Exchange within one minute. Transaction information is collected, processed and immediately distributed by SIX Swiss Exchange. Transactions outside trading hours must be reported no later than the next opening. SIX Swiss Exchange distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed. The Swiss Market Feed supplies SIX Swiss Exchange data in real time to all subscribers as well as to other information providers such as SIX Financial Information Ltd and Reuters.

A quotation may be suspended by SIX Swiss Exchange if large price fluctuations are observed, or if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of SIX Swiss Exchange as the organizer of the market. The aim of such self-regulation is to ensure transparency, fair trading and an orderly market.

Clearing, Payment and Settlement

Custodial and depositary links have been established between Euroclear and Clearstream to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise.

Secondary market trading of the GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. Settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

Corporate Governance Reporting

Pursuant to the Listing Rules, an issuer of GDRs listed on SIX Swiss Exchange is required to include a statement in the prospectus for the listing of the GDRs and in its annual reports that it adheres to the corporate governance standards of its domestic market.

Directive on the Disclosure of Management Transactions

The Directive on Disclosure of Management Transactions of 20 March 2018 issued by SIX Swiss Exchange (the "**DMT**") requires issuers with GDRs listed on SIX Swiss Exchange to ensure that members of their board of directors and senior management disclose transactions they have made in the securities (including A shares and GDRs) of such issuer. Under the DMT, the relevant individuals must disclose any such transaction to the issuer, and the issuer must forward such information to SIX Swiss Exchange. Such transactions are subsequently published on a "no names basis" on SIX Swiss Exchange's website.

Ad-hoc Publicity

Under the Listing Rules, the Company will, with effect as of the First Day of Trading, be required to publish facts that are, with respect to the price of the GDRs the A-Shares or other securities issued by the Company, price-sensitive and that have arisen in the sphere of the Company's business activities. Facts that are not known publicly and that, from an ex-ante perspective, are capable of leading to a significant price change are classified as price-sensitive. Price-sensitive facts include, but are not limited to, financial figures and reports, changes in key employee positions including changes affecting the composition of the Board or the senior management, mergers, takeovers, spin-offs, restructuring operations, changes in capital, takeover bids, changes in business operations (such as new sales partners, new and significant products, and withdrawal or recall of a significant product), information on trading results (such as significant changes in earnings such as profit decrease/increase or profit warning, and cessation of dividends), changes to the shareholder structure and financial restructuring. As a rule, the Company will be required to disclose any price-sensitive fact immediately as soon as it has become aware of its material elements. Disclosure needs to be made to SIX Swiss Exchange (90 minutes ahead of time if published during trading hours), to no less than two electronic stock market information systems (such as Bloomberg, Reuters or Telekurs), to no less than two Swiss newspapers of nationwide distribution and, upon request, to all interested parties.

Disclosure regarding Depositary or Deposit Agreement

Issuers with GDRs listed on SIX Swiss Exchange are required to report changes to the depository or the deposit agreement to SIX Exchange Regulation at the same time as the holders of the GDRs are informed.

Offering

The Offering consists of: (i) placements in Switzerland solely to professional clients within the meaning of article 4 para 3 of FinSA; and (ii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Prospectus Regulation and the UK Prospectus Regulation. All offers and sales outside the United States will be made in compliance with Regulation S under the Securities Act.

The Offer GDRs have not been and will not be registered under the Securities Act, or under the securities laws of any state or other jurisdiction in the United States and, accordingly, may not be offered or sold within the United States (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws.

The Offer GDRs have not been and will not be registered under the securities laws of the United Kingdom, a member state in the EEA, Australia, Japan or Canada and may not be offered or sold to investors in these jurisdictions absent an exemption from registration or approval under the applicable securities laws of the relevant jurisdiction. See "*Selling and Transfer Restrictions*."

The Offering is expected to take place from July 25, 2022 until 18:00 CEST on July 25, 2022 (the "**Offer Period**"). The Company, together with the Joint Global Coordinators reserves the right to extend or shorten the Offer Period or terminate the Offering, without any prior notice, at any time and for any reason.

The Offer Price Range is between US$30.00 and US$30.28 per Offer GDR. All Offer GDRs sold in the Offering will be sold at the Offer Price. The Offer Price for the Offer GDRs will be determined by agreement between the Company and the Joint Global Coordinators following the book-building process. A number of factors may be considered in determining the Offer Price and the bases of allocation under the Offering, including the level and nature of demand for the Offer GDRs and the objective of encouraging the development of an orderly after-market in the Offer GDRs. The Offer Price may be established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated) from persons (including market makers and fund managers connected with the Joint Bookrunners). The Offer Price is expected to be announced on or around July 25, 2022, by way of a media release and a pricing supplement (the "**Supplement**").

Underwriting

Under the terms and subject to the conditions contained in a global depositary receipts purchase agreement, dated on or around the date of this Prospectus (the "**Underwriting Agreement**"), each Manager, severally and not jointly, agreed to procure subscribers for, and to purchase a certain percentage of the Offer GDRs from the Company to be set out in an offer size and pricing agreement, each at the Offer Price, less fees and commissions, which may be deducted from the proceeds of the Offering.

The Company has agreed to pay, among other expenses, the costs associated with the publication and distribution of this Prospectus, certain legal expenses of the Company and the Managers, costs of the accountants and other advisors retained by the Company, costs associated with the delivery of the GDRs, including all fees and expenses incurred in connection with the approval of this Prospectus and the listing of the GDRs on SIX Swiss Exchange.

The Underwriting Agreement provides that the obligations of the Managers are subject to certain conditions precedent, including, among other things, the execution of an offer size and pricing supplement. The Managers also have the right to terminate the Underwriting Agreement upon the occurrence of certain events at any time prior to closing of the Offering. If the right to terminate the Underwriting Agreement is exercised, the Offering will lapse and any previously purported allocation and purchase of GDRs will be deemed to not have been made. In connection with the Underwriting Agreement, the Company has made certain representations and warranties, and agreed, subject to certain limitations and exemptions, to indemnify the Managers against certain liabilities in connection with the Offering.

The Joint Global Coordinator and each of the Managers has represented and agreed that it has not taken, and will not take, any action that would, or is intended to (a) permit or require a public offer of the GDRs in any country or jurisdiction where any such action for that purpose is required or (b) require the registration of this Prospectus or make any filing or notice, save for Switzerland.

Lock-up Provisions

The Company has agreed that it shall not, during a period from the date hereof and ending 180 calendar days from the First Day of Trading, without the prior written consent of the Joint Global Coordinators:

(i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to grant, grant any option, right or warrant to purchase, pledge, grant instruction rights (*Weisungsrechte* according to art. 25 FISA or similar foreign rules) or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), directly or indirectly, or file a registration statement under any securities regulation relating to, any A Shares or GDRs or any securities convertible into or exchangeable or exercisable for A Shares or GDRs or warrants or other rights to purchase any A Shares or GDRs;

(ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequence of ownership of any A Shares or GDRs,

(whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares, GDRs or other securities, in cash or otherwise); or

(iii) publicly announce its intention to do any of the foregoing.

Save that the lock-up arrangements described above shall not apply to (i) the issue of Shares as part of the Offering, or the sale of GDRs pursuant to the Offering or (ii) the issue of any A Shares or GDRs or the purchase and sale of any A Shares or GDRs or the grant of any option, right, warrant or contract to purchase A Shares or GDRs, in each case in connection with any employee or management stock option or purchase scheme.

Other Relationships

The Joint Global Coordinators, the Joint Bookrunners, the Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company, for which they received customary fees, and they and their respective affiliates may provide such services for the Company and its respective affiliates in the future. As a result, the Joint Global Coordinators, the Joint Bookrunners, the Managers and their respective affiliates may have a commercial interest in continuing to provide services to the Company and its respective affiliates that may be material to the Offering.

In connection with the Offering, Joint Global Coordinators, the Joint Bookrunners, the Managers and/or any of their respective affiliates and/or funds managed by affiliates of the Company acting as an investor for its or their own account(s) may subscribe for Offer GDRs and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer GDRs being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Joint Global Coordinators, the Joint Bookrunners, the Managers and/or any of their respective affiliates and/or funds managed by affiliates of the Company acting as an investor for its or their own account(s). In addition, certain of the Joint Global Coordinators, the Joint Bookrunners, the Managers or their affiliates may enter into financing or hedging arrangements (including swaps) with investors in connection with which such Joint Global Coordinators, Joint Bookrunners and Managers (or their affiliates) may from time to time acquire, hold or dispose of GDRs). Neither the Joint Global Coordinators, the Joint Bookrunners or the Managers nor the Company intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Trading GDRs

Prior to the Offering, there has been no public market for the GDRs. Application has been made and approval has been given, by SIX Exchange Regulation, subject to certain customary conditions to list all Offer GDRs, corresponding to 249,706,175 A Shares, and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with the Depositary on SIX Swiss Exchange in accordance with the Standard for Depository Receipts. The Company expects that the GDRs will be listed, and that trading in the GDRs will commence, on SIX Swiss Exchange in accordance with the Standard for Depository Receipts on or around July 28, 2022.

The trading symbol and the security identification numbers of the GDRs are as follows:

SIX Swiss Exchange trading symbol	GOTION
GDR ISIN	US38349T1060
GDR Common Code	250546297
GDR CUSIP	38349T 106
Swiss Security Number (*Valorennummer*)	120450028

In addition to buying or selling GDRs through SIX Swiss Exchange, under the Stock Connect Scheme Between Domestic and Overseas Stock Exchanges, an investor eligible to buy GDRs will be able to (i) buy GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares and (ii) sell GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange. Designated Brokers will be SIX Swiss exchange members designated by the Shenzhen Stock Exchange who hold accounts with Shenzhen Stock Exchange members enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to quotas imposed by relevant regulators, as described below) and providing relevant instructions to the Depositary.

In order to buy GDRs, an investor may either (i) buy GDRs on the SIX Swiss Exchange or another legitimate trading venue in the normal manner or (ii) instruct (either directly or through their normal broker) a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and then instruct the Depositary to create GDRs representing such A Shares.

In order to sell GDRs, an investor may either (i) sell GDRs on the SIX Swiss Exchange or another legitimate trading venue in the normal manner or (ii) instruct (either directly or through their normal broker) a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange.

A Designated Broker may also buy or sell (and hold an inventory of) A Shares as principal in order to facilitate the purchase and redemption or GDRs cross-border.

This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place buy and sell orders with the Designated Brokers who are able to seek the best price from either market.

Two Designated Brokers were confirmed in Switzerland as of July 22, 2022. The PBOC and the SAFE published the Administrative Measures on Cross-border Funds under Depositary Receipts (For Trial Implementation) (存托凭证跨境资金管理办法(试行)) in May 2019, which requires the Designated Brokers to file certain documents and register with the SAFE. Pursuant to their SAFE registration each Designated Broker will be subject to restrictions relating to, among other things, the types of securities such Designated Broker can deal in (such as the A shares underlying GDRs, money market and treasury bills, and other securities as specifically approved by the CSRC), as well as daily inventory related quotas on the maximum number and value of cash and securities to be held by such Designated Broker and foreign exchange related quotas on the cumulative net inflow of funds into the PRC in connection with the redemption and creation of GDRs executed by such Designated Broker. The list of Designated Brokers is available on the website of the Shenzhen Stock Exchange and on the website of SIX Swiss Exchange.

Settlement of purchases of GDRs through a Designated Broker will also take place on a two-day rolling basis. However, settlement of redemption of GDRs through a Designated Broker (where the Designated Broker sells the underlying A Shares on the Shenzhen Stock Exchange) may take place on either a two-day rolling basis or a three-day rolling basis, depending on whether the relevant Designated Broker holds any inventory of A Shares at such time. This delay is due to the requirement in China for trades to be pre-delivered and the time it takes to redeem GDRs. Therefore, investors redeeming GDRs may be subject to one day market risk in China where the relevant Designated Broker does not hold any inventory of A Shares.

Selling Restrictions

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set forth in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken by the Company or in any country or jurisdiction that would, or is intended to, permit a public offering of the Offer GDRs, or the possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction.

Persons into whose hands this Prospectus comes are required by the Company and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer GDRs or have in their possession or distribute such offering material, in all cases at their own expense. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of the GDRs offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the Company or the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer GDRs, of any such restrictions.

Switzerland

In Switzerland, Offer GDRs will be offered solely to "professional clients" within the meaning of article 4 para 3 of FinSA. The GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. By accessing this Prospectus, each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

Australia

This Prospectus:

- does not constitute a disclosure document under part 6D.2 of the Corporations Act of the Commonwealth of Australia ("**Corporations Act**");
- has not been, and will not be, lodged with the Australian Securities and Investments Commission("**ASIC**") as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors ("**Exempt Investors**") available under section 708 of the Corporations Act.

The GDRs may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the GDRs may be issued, and no draft or definitive prospectus, advertisement or other offering material relating to any GDRs may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the GDRs, the investor is deemed to have represented that it is an Exempt Investor.

As any offer of GDRs under this Prospectus will be made without disclosure in Australia under Part 6D.2of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, undersection 707 of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the GDRs, the investor is deemed to have undertaken that it will not, for a period of 12 months from the date of issue of the GDRs, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Part 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

This Prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this Prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Canada

No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Offer GDRs. The Offer GDRs have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof and no securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the Offer GDRs and any representation to the contrary is an offence.

The Offer GDRs may not be offered, sold or distributed, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws and, without limiting the generality of the foregoing:

(a) any offer, sale or distribution of the Offer GDRs in Canada may be made only to purchasers that are (i) "accredited investors" (as such term is defined in section 1.1 of National Instrument 45106 *Prospectus Exemptions* ("**NI 45-106**") or, in Ontario, as such term is defined in section 73.3(1) of *the Securities Act* (Ontario)) and "permitted clients" (as such term is defined in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*), (ii) purchasing as principal, or are deemed to be purchasing as principal in accordance with applicable Canadian securities laws, and (iii) not a person created or used solely to purchase or hold the Offer GDRs as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106;

(b) any entity in the business of trading in securities that is offering and selling the Offer GDRs in Canada will either (i) be appropriately registered under applicable Canadian securities laws in each relevant province or territory to distribute the Offer GDRs, (ii) such distribution will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such distribution and has agreed to make such distribution in compliance with the representations, warranties and agreements set out herein, or (iii) be qualified to rely on an exemption from the dealer registration requirements under applicable Canadian securities laws; and

(c) no offering material in connection with any offering of the Offer GDRs, other than this Prospectus, may be distributed or delivered in or to a resident of Canada other than in compliance with applicable Canadian securities laws.

China

The GDRs are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the applicable laws of the PRC, including the PRC Securities Law.

Dubai International Financial Centre (DIFC)

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The GDRs to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the GDRs offered should conduct their own due diligence on the shares. If you do not understand the contents of this Prospectus you should consult an authorized financial advisor.

European Economic Area

In relation to each member state of the European Economic Area, no Offer GDRs have been offered or will be offered pursuant to the Offering to the public in that member state prior to the publication of a prospectus in relation to the GDRs that have been approved by the competent authority in that member state or, where appropriate, approved in another member state and notified to the competent authority in that member state, all in accordance with the Prospectus Regulation), except that offers of GDRs may be made to the public in that member state at any time under the following exemptions under the Prospectus Regulation:

- to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;

- to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of GDRs shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any GDRs in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any GDRs, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

In the case of any GDRs being offered to a financial intermediary as that term is used in the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the GDRs acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in a member state to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offering. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice. Please note that (1) the GDRs may not be offered or sold in Hong Kong by means of this Prospectus or any other document other than to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) ("**SFO**") and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance of Hong Kong (Cap. 622) (the "**Companies Ordinance**") or which do not constitute an offer or invitation to the public for the purposes of the Companies Ordinance or the SFO, and (2) no person shall issue, or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the GDRs which are or are intended to be disposed of only to persons outside Hong Kong or only to such professional investors.

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the GDRs may not be circulated or distributed, nor may the GDRs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the GDRs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the GDRs pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The GDRs have not been and will not be registered under the Financial Instruments and Exchange Law (Law No.25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Qatar

This Prospectus does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The GDRs have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the GDRs shall not constitute a public offer of securities in the State of Qatar.

Taiwan

The GDRs have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the GDRs in Taiwan.

United Arab Emirates

The GDRs have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

United Kingdom

No Offer GDRs have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer GDRs has been approved by the Financial Conduct Authority, except that the Offer GDRs may be offered to the public in the United Kingdom at any time:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(iii) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000 (the "**FSMA**"), provided that no such offer of the Offer GDRs shall require the Company or any Manager to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Offer GDRs in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The issue and distribution of this Prospectus is restricted by law. In the United Kingdom, this document is not being distributed by, nor has it been approved for the purposes of Section 21 of the FSMA by, a person authorized under the FSMA. In the United Kingdom, this document is for distribution only to, and directed only at, persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation and who (i) have professional experience in matters relating to investments (being investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**")), (ii) are persons falling within article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order, or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). In the United Kingdom, this document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Prospectus should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company. The Securities are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

In the case of any GDRs being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the GDRs acquired by it in the Offering has not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in the United Kingdom to qualified investors as so defined or in circumstances in which the prior consent of Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

United States

This Prospectus is not a public offering (within the meaning of the Securities Act) of securities in the United States. The GDRs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. All offers and sales of the GDRs outside the United States will be made in offshore transactions in reliance on Regulation S under the Securities Act.

Transfer Restrictions

Each purchaser of the GDRs will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

1. the purchaser is, at the time of the offer to it of GDRs and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;

2. the purchaser is aware that the GDRs have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S;

3. any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognized by the Company in respect of the Regulation S Securities; and

4. the Company, the Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

The following is a general summary of certain tax consequences of the acquisition, ownership and disposition of Offer GDRs based on the PRC, Swiss and US tax laws and regulations in force on the date of this Prospectus. Tax consequences are subject to changes in applicable law, including changes that could have a retroactive effect. This is not a complete analysis of the potential tax effects relevant to a decision to invest in Offer GDRs nor does the following summary take into account or discuss the tax laws of any jurisdiction other than the PRC, Switzerland and the US It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular holder of Offer GDRs.

Investors are urged to consult their own tax advisors as to tax consequences of the acquisition, ownership and disposition of Offer GDRs. Tax consequences may differ according to the provisions of different tax treaties (see below) and the investor's particular circumstances.

PRC Tax Considerations

Taxation on Dividends

Individual Investors

According to the *Individual Income Tax Law of the People's Republic of China* (《中华人民共和国个人所得税法》) (the "**IIT Law**") promulgated by the Standing Committee of the National People's Congress on August 31, 2018 and effective from January 1, 2019 and the *Implementation Regulations for the Individual Income Tax Law of the People's Republic of China* (《中华人民共和国个人所得税法实施条例》) (the "**Regulation on IIT Law**") promulgated by the State Council on December 18, 2018 and effective from January 1, 2019, individuals who have a domicile in China, or individuals who do not have a domicile in China but have resided in China for 183 days or more cumulatively within a tax year, shall be deemed as resident individuals. Income derived by resident individuals from China and overseas shall be subject to individual income tax pursuant to the provisions of the *IIT Law*. Individuals who do not have a domicile in China and have not resided in China, or individuals who do not have a domicile in China but have resided in China for less than 183 days cumulatively within a tax year, shall be deemed as non-resident individuals. Income derived by non-resident individuals from China shall be subject to individual income tax pursuant to the provisions of the *IIT Law*. Income from royalties, income from interest, dividends and bonuses, income from lease of property, income from transfer of property and contingent income shall be subject to proportional tax rate, the tax rate shall be 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Enterprises

According to the *Enterprise Income Tax Law of the People's Republic of China* (《中华人民共和国企业所得税法》) (the "**EIT Law**") promulgated by the Standing Committee of the National People's Congress on December 29, 2018 and effective from December 29, 2018 and the *Implementation Regulations for the Enterprise Income Tax Law of the People's Republic of China* (《中华人民共和国企业所得税法实施条例》) (the "**Regulation on EIT Law**") promulgated by the State Council on April 23, 2019 and effective from April 23, 2019, non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the established institutions or establishments, shall pay enterprise income tax in relation to their income originating from China. The rate of enterprise income tax of this income is reduced to 10%. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the taxpayer shall be the withholding agent. Tax is withheld by the withholding agent from the amount paid or due each time it is paid or due. Such withholding tax may be reduced pursuant to an applicable treaty on avoidance of double taxation.

Tax Treaties

Investors who reside in countries which have entered into treaties on avoidance of double taxation with the PRC may be entitled to a reduction of withholding tax on dividends to investors by PRC companies. The PRC currently has such tax treaties with a number of countries, including but not limited to, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

According to the *Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits* (《国家税务总局关于发布<非居民纳税人享受协定待遇管理办法>的公告》) promulgated by the State Taxation Administration of the PRC on October 14, 2019 and effective from January 1, 2020, Non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection". Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and accept follow-up administration by the tax authorities.

Taxation on Capital Gains

Individual Investors

According to the *IIT Law* and the *Regulation on IIT Law*, income from interest, dividends and bonuses, income from lease of property, income from transfer of property and contingent income shall be subject to proportional tax rate, the tax rate shall be 20%. The measures on levying of individual income tax on income from share transfer shall be separately stipulated by the State Council, and filed record with the Standing Committee of the National People's Congress.

According to the *Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares* (《财政部国家税务总局关于个人转让股票所得继续暂免徵收个人所得税的通知》) promulgated by the Ministry of Finance and the State Taxation Administration of the PRC on March 20, 1998, effective from January 1, 1997, income of individual from transfer of the shares of listed enterprises continues to be temporarily exempted from individual income tax.

According to the *Notice of Ministry of Finance, State Taxation Administration of the PRC and China Securities Regulatory Commission on Issues Relating to Levying of Individual Income Tax on Income Derived by Individuals from Transfer of Moratorium Shares of Listed Companies* (《关于个人转让上市公司限售股所得徵收个人所得税有关问题的通知》) promulgated by the Ministry of Finance, the State Taxation Administration of the

PRC and China Securities Regulatory Commission on December 31, 2009 and effective from December 31, 2009, the *Notice of State Taxation Administration of the PRC on Issues Relating to Levying and Payment of Individual Income Tax on Income from Transfer of Moratorium Shares* (《国家税务总局关于限售股转让所得个人所得税徵缴有关问题的通知》) promulgated by the State Taxation Administration of the PRC on January 18, 2010 and effective from January 18, 2010 and the *Supplementary Notice of Ministry of Finance, State Taxation Administration of the PRC and China Securities Regulatory Commission on Issues Relating to Levying of Individual Income Tax on Income from Transfer of Moratorium Shares of Listed Companies by Individuals* (《财政部、国家税务总局、证监会关于个人转让上市公司限售股所得徵收个人所得税有关问题的补充通知》) promulgated by the Ministry of Finance, the State Taxation Administration of the PRC and China Securities Regulatory Commission on November 10, 2010 and effective from November 10, 2010, with effect from 1 January 2010, individual income tax shall be levied on income derived by individuals from transfer of moratorium shares as "income from transfer of properties" at the tax rate of 20%. Income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax. There is no clear regulation on whether individual income tax is levied on the transfer of shares of a Chinese resident enterprise listed on an overseas stock exchange by a non-Chinese resident individual. Up to now, the Chinese tax authorities have not levied individual income tax on the aforesaid situations.

Enterprises

According to the *EIT Law* and the *Regulation on EIT Law*, non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the established institutions or establishments, shall pay enterprise income tax in relation to their income originating from China. The rate of enterprise income tax of this income is reduced to 10%. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the taxpayer shall be the withholding agent. Tax is withheld by the withholding agent from the amount paid or due each time it is paid or due. Such withholding tax may be reduced pursuant to an applicable treaty on avoidance of double taxation.

Certain Swiss Tax Considerations

Swiss Withholding Tax

Dividend payments and similar cash or in-kind distributions are not subject to Swiss federal withholding tax (*Verrechnungssteuer*).

Swiss Federal Stamp Taxes

The issuance and the delivery of the (newly created) Offer GDR to the initial Offer GDR holders at the Offer Price is not subject to Swiss federal issuance stamp tax (*Emissionsabgabe*) or Swiss federal securities transfer stamp tax (*Umsatzabgabe*) ("**Swiss Federal Securities Transfer Stamp Tax**").

The subsequent purchase or sale of Offer GDR, whether by Swiss resident individuals who hold their Offer GDR as private assets ("**Resident Private GDR Holders**"), (i) corporate and individual GDR holders who are resident in Switzerland for tax purposes, (ii) corporate and individual Offer GDR holders who are not resident in Switzerland, and who, in each case, hold their Offer GDR as part of a trade or business carried on in Switzerland through a permanent establishment with fixed place of business situated in Switzerland for tax purposes and (iii) Swiss resident private individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealing, or leveraged investments, in shares and other securities (collectively, "**Domestic Commercial GDR Holders**") or Offer GDR holders who are not resident in Switzerland for tax purposes, and who, during the respective taxation year, have not engaged in a trade or business carried on through a permanent establishment with fixed place of business situated in Switzerland for tax purposes, and who are not subject to corporate or individual income taxation in Switzerland for any other reason (collectively, "**Non-Resident GDR Holders**"), may be subject to a Swiss Federal Securities Transfer Stamp Tax at a current rate of up to 0.3%, as well as the SIX Swiss Exchange turnover fee, both calculated on the purchase price or the sale proceeds, respectively, if (i) such transfer occurs through or with a Swiss or Liechtenstein bank or by or with involvement of another Swiss securities dealer as defined in the Swiss federal stamp tax act and (ii) no exemption applies.

The following categories of foreign institutional investors that are subject to regulation similar to that imposed by Swiss federal supervisory authorities are exempt from their portion (50%, i.e., up to 0.15%) of the Swiss Federal Securities Transfer Stamp Tax: states and central banks, social security institutions, pension funds, (non-Swiss) collective investment schemes (as defined in the Swiss Collective Investment Law), certain life insurance companies and certain non-Swiss quoted companies and their non-Swiss consolidated group companies. Swiss collective investment schemes (as defined in the Swiss Collective Investment Law) are as well exempt from their portion (50%, i.e., up to 0.15%) of the Swiss federal securities transfer stamp tax.

Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax

Non-Resident GDR Holders

Non-Resident GDR Holders are not subject to any Swiss federal, cantonal or communal income tax on dividend payments and similar distributions because of the mere holding of the Offer GDRs. The same applies for capital gains on the sale of Offer GDRs.

Resident Private GDR Holders and Domestic Commercial GDR Holders

Resident Private GDR Holders who receive dividends and similar cash or in-kind distributions, which are not repayments of the nominal value (*Nennwertrückzahlungen*) of the shares deposited for the Offer GDRs or capital contribution reserves (*Reserven aus Kapitaleinlagen*), are required to report such receipts in their individual income tax returns and are subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant tax period.

A gain or a loss by Resident Private GDR Holders realized upon the sale or other disposition of GDRs to a third party will generally be a tax-free private capital gain or a not tax-deductible capital loss, as the case may be.

Domestic Commercial GDR Holders who receive dividends and similar cash or in-kind distributions are required to recognize such payments in their income statements for the relevant tax period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings accumulated (including the dividends) for such period. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings or leveraged transactions in securities.

Domestic Commercial GDR Holders are required to recognize a gain or loss realized upon the disposal of GDRs in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings (including the gain or loss realized on the sale or other disposition of GDRs) for such taxation period. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings or leveraged transactions in securities.

Swiss Wealth Tax and Capital Tax

Non-Resident Shareholders

Non-Resident Shareholders holding the Offer GDRs are not subject to cantonal and communal wealth or annual capital tax because of the mere holding of the Offer GDRs.

Resident Private GDR Holders and Domestic Commercial Shareholders

Resident Private Shareholders are required to report their Offer GDRs as part of their private wealth and are subject to cantonal and communal wealth tax on any net taxable wealth (including Offer GDRs).

Domestic Commercial GDR Holders are required to report their Offer GDRs as part of their business wealth or taxable capital, as defined, and are subject to cantonal and communal wealth or annual capital tax.

No wealth or capital tax is levied at the federal level.

International Automatic Exchange of Information in Tax Matters

Switzerland has concluded a bilateral agreement with the EU on the international automatic exchange of information ("**AEOI**") in tax matters (the "**AEOI Agreement**"). This AEOI Agreement became effective as of January 1, 2017, and applies to all 27 member states as well as Gibraltar. Furthermore, on January 1, 2017, the multilateral competent authority agreement on the automatic exchange of financial account information and, based on such agreement, a number of bilateral AEOI agreements with other countries became effective. Based on this AEOI Agreement and the bilateral AEOI agreements and the implementing laws of Switzerland, Switzerland collects data in respect of financial assets, which may include Shares, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of residents in a EU member state or a treaty state from 2017, and exchanges it since 2018.

Switzerland has signed and is expected to sign further AEOI agreements with other countries. A list of the AEOI agreements of Switzerland in effect or signed and becoming effective can be found on the website of the State Secretariat for International Finance (SIF).

Swiss Facilitation of the Implementation of the US Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the United States to facilitate the implementation of FATCA. The agreement ensures that the accounts held by US persons with Swiss financial institutions are disclosed to the US tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the United States and Switzerland. On 20 September 2019, the protocol of amendment to the double taxation treaty between Switzerland and the US entered into force allowing US competent authority in accordance with the information reported in aggregated form to request all the information on US accounts without a declaration of consent and on non-consenting non-participating financial institutions. On 8 October 2014, the Swiss Federal Council approved a mandate for negotiations with the United States on changing the current direct notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the US tax authorities.

Our Company

Our Company's name is Gotion High-tech Co., Ltd. (国轩高科股份有限公司). Our Company is a joint stock company with limited liabilities established in accordance with the PRC Company Law, via a reorganization, which was approved by the CSRC, and became listed on the Shenzhen Stock Exchange on April 15, 2015, following an agreement for purchase of assets by issuing shares, and governed by the laws and regulations of the PRC. For details, see "*Our Business—History*." Neither our Articles of Association nor the operation of law limit the duration of our Company.

The principal purpose of our Company, as set out in article 14 of the Articles of Association, is "to 'focus on technology-driven growth and become a leader in the global energy storage industry' as the Company's vision, adhere to the operational principle of 'prioritizing products, talents and users' and remain committed to developing green new energy, insisting on corporate values including 'cherishing, pragmatism, integrity and innovation,' and create top-class benefits by top-class management."

Our financial year of our Company ends on December 31 of each calendar year.

Our Articles of Association were last amended on May 23, 2022.

Our registered office and principal place of business is at No. 566 Huayuan Boulevard, Baohe District, Hefei, Anhui province, the PRC. The legal entity identifier (LEI) of our Company is 300300J1NKV8ZBF0KN15.

Auditors

The independent auditors of our Company are (i) Suya Jincheng CPA LLP, with its registered office at 14th-16th Floor, Block A, Zhentai Center, No. 159 Taishan Road, Nanjing, Jiangsu province, the PRC, who has been the auditors of the Company for the financial years of 2020 and onward, and (ii) RSM China CPA LLP, with its registered office at Suite 901-22 to 901-26, Block 1 Wai Jing Mao Building, No. 22 Fuchengmen Wai Street, Xicheng District, Beijing, the PRC, who was the auditors of the Company for the financial years of 2015 to 2019. Each of Suya Jincheng CPA LLP and RSM China CPA LLP has a business license issued by State Administration for Industry and Commerce of the PRC, and recorded by the MOF and the Chinese Institute of Certified Public Accountants, under the supervision of the CSRC and the Chinese Institute of Certified Public Accountants.

The CSRC is an audit oversight authority recognised by the Swiss Federal Council in accordance with Article 8 of the Audit Oversight Act of 16 December 200541 (AOA) and Annex 2 of the Auditor Oversight Ordinance of 22 August 200742 (AOO).

We replaced RSM China CPA LLP with Suya Jincheng CPA LLP as our independent auditors in 2020 to better suit the development of our business and auditing needs.

Depositary

Holders of GDRs may contact Citibank, N.A., as Depositary for the GDRs with questions relating to the transfer of GDRs on the books of the Depositary, which shall be maintained at its principal executive office at 388 Greenwich Street, New York, New York 10013, US.

Paying Agent

For GDRs held in custody with SIS, the principal duties of a paying agent include distributions of dividends and other payments with respect to book-entry interests in the GDRs, if any, which will be effected via SIS. See also "*Clearing and Settlement—The Clearing Systems*."

Notices

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Prospectus will be announced through electronic media and a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently at https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l).

Any public disclosure information with respect to us or the GDRs will be available at our website at https://en.gotion.com.cn/ and the website of Shenzhen Stock Exchange at www.szse.com.cn.

Weblinks

The Company's website:	https://en.gotion.com.cn/

As of the First Day of Trading, the following weblinks will be available:

E-mail distribution list (push system):	https://en.gotion.com.cn/announcement/ad-hoc-publicity
Ad-hoc messages (pull system):	https://en.gotion.com.cn/announcement/ad-hoc-publicity
Financial reports:	https://en.gotion.com.cn/financial-reporting-release
Corporate calendar:	https://en.gotion.com.cn/corporate-calendar

Information on our website, the website of the Shenzhen Stock Exchange, any website directly or indirectly linked to our website or the website of the Shenzhen Stock Exchange, or any other website mentioned in this Prospectus does not form part of this Prospectus and is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decisions to invest in the GDRs.

Information Policy

We release our financial results in the form of annual, semi-annual and quarterly reports and in electronic form. Our annual reports are published within four months after the end of each financial year. In addition, our semi-annual reports are released within two months after the end of the first half of each financial year, and quarterly reports are released within one month after the end of the first and the third financial quarter of each year. Our annual, semi-annual and quarterly reports will be published on our website and the website of the Shenzhen Stock Exchange at www.szse.com.cn.

From the First Day of Trading, copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from our website at https://en.gotion.com.cn/ or obtained from the Company upon request at No. 566 Huayuan Boulevard, Baohe District, Hefei, Anhui province, the PRC (phone: +86 0551-6210 0213; email: gxgk@gotion.com.cn).

No Material Changes

Except as disclosed in this Prospectus, there have been no material changes in the Group's assets and liabilities, financial position or profits and losses since March 31, 2022.

Clearing and Settlement of Offer GDRs

Custodial and depositary links have been established between Euroclear and Clearstream to facilitate the initial issue of the Offer GDRs and cross-market transfers of the Offer GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise.

Secondary market trading of the GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. Settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

The Clearing and Settlement Systems

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including joint bookrunners, securities brokers and dealers, banks, trust companies, clearing corporations (including SIS) and certain other organizations. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective clients may settle trades with each other. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

SIS provides custody services for clients in Switzerland and abroad. SIS is the national Central Securities Depository (CSD) of the Swiss financial market and an International Central Securities Depository (ICSD), providing services for the settlement and custody of national and international securities, including GDRs traded on SIX Swiss Exchange.

Distributions of dividends and other payments with respect to book-entry interests in the Offer GDRs held through Euroclear or Clearstream will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

Registration and Form

Book-entry interests in the Offer GDRs held through Euroclear and Clearstream will be represented by the Master GDR Certificate registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear and Clearstream. As necessary, the Depositary will adjust the amounts of Offer GDRs on the relevant register to reflect the amounts of Offer GDRs held through Euroclear and Clearstream, respectively. Beneficial ownership in the Offer GDRs will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream.

The aggregate holdings of book-entry interests in the Offer GDRs in Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Offer GDRs, will be responsible for establishing and maintaining accounts for their participants and clients having interests in the book-entry interests in the Offer GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of Offer GDRs registered in the name of the common depositary for Euroclear and Clearstream. The Depositary will be responsible for ensuring that payments received by it from the Company for holders holding through Euroclear or Clearstream are credited to Euroclear or Clearstream, as the case may be.

The Company will not impose any fees in respect of the Offer GDRs; however, holders of book-entry interests in the Offer GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreement. See "*Terms and Conditions of the Global Depositary Receipts*."

Global Clearance and Settlement Procedures

Initial Settlement

The Offer GDRs will be in global form evidenced by a Master GDR Certificate. Purchasers electing to hold book-entry interests in Offer GDRs through Euroclear or Clearstream accounts will follow the settlement procedures applicable to depositary receipts.

Secondary Market Trading

For a description of the transfer restrictions relating to the Offer GDRs, see "*Selling and Transfer Restrictions—Transfer Restrictions*."

Clearing and settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date. Accordingly, investors should note that GDRs traded on SIX Swiss Exchange are centrally cleared and place of settlement is SIS. Settlement for exchange transactions usually occurs two trading days after the trade date.

Trading between Euroclear and Clearstream Participants

Secondary market sales of book-entry interests in the Offer GDRs held through Euroclear or Clearstream to purchasers of book-entry interests in the Offer GDRs through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream and will be settled using the normal procedures applicable to depositary receipts.

General

Although the foregoing sets forth the procedures of Euroclear and Clearstream in order to facilitate the transfers of interests in the Offer GDRs among participants of Euroclear and Clearstream, none of Euroclear and Clearstream are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Settlement of the Offer GDRs

Payment for the Offer GDRs is expected to be made in USD in same-day funds through the facilities of Euroclear and Clearstream. Book-entry interests in the Offer GDRs held through Euroclear and Clearstream will be represented by the Master GDR Certificate registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear and Clearstream. Except in limited circumstances described herein, investors may hold beneficial interests in the Offer GDRs evidenced by the corresponding Master GDR Certificate only through Euroclear or Clearstream, as applicable.

Transfers within Euroclear and Clearstream will be in accordance with the usual rules and operating procedures of the relevant system.

Citibank, N.A. has been appointed as Depositary pursuant to the Deposit Agreement. Citibank, N.A. is an indirect wholly owned subsidiary of Citigroup Inc., a Delaware corporation. Citibank, N.A. is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank, N.A. was originally organized on June 16, 1812, and is now a national banking association organized under the National Bank Act of 1864 of the United States. Citibank, N.A. is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal executive office is at 388 Greenwich Street, New York, NY 10013, US. Citibank, N.A.'s Consolidated Balance Sheets are set forth in Citigroup's most recent Annual Report (audited balance sheet) and Quarterly Report (unaudited), each on file on Form 10-K and Form 10-Q, respectively, with the United States Securities and Exchange Commission. Citibank, N.A.'s Articles of Association and By-laws, each as currently in effect, together with Citigroup's Annual Report on Form 10-K and Quarterly Report on Form 10-Q are available for inspection at the Depositary Receipt office of Citibank, N.A., 388 Greenwich Street, New York, New York 10013, US.

The following technical terms and abbreviations when used in this Prospectus have the definitions and/or descriptions ascribed to them opposite below, except where otherwise indicated.

Abbreviation	Definitions/Descriptions
Ah	amp-hour, a battery capacity unit
ASES	Alliance Supplier Evaluation Standard used by Renault and Nissan for supplier auditing
battery system	usually known as the EV battery pack, which is used in electric vehicles and consists of cells, modules, battery management systems and others
BMS	battery management system, an electronic system that manages a rechargeable battery, such as by protecting the battery from operating outside its safe operating area, monitoring its state and calculating secondary data
C	the nominal capacity of the battery. A charging current of 2C implies that the battery can be fully charged in half an hour
CAGR	compound annual growth rate
CNAS	China National Accreditation Service for Conformity Assessment, a national accreditation body of the PRC responsible for the accreditation of certification bodies, laboratories and inspection bodies
designed production capacity	capacity of production based on the theoretically optimal hourly production rate of various machines operating 24 hours a day throughout the year (not including time spent on production line upgrade or adjustment) in a given year
electrolyte	a substance that allows electrical current to flow between the anode and the cathode.
energy density	the amount of energy a battery contains per unit of weight
ESS	energy storage system, a device that can store and output power, consisting of multiple subsystems such as battery system and energy management system
EV	electric vehicle, an automotive vehicle that can be powered autonomously by a battery
GB/T23331	PRC National Standard, Energy Management System—Requirements
GW	gigawatt, one million kilowatts (kW), a unit of power

Abbreviation	Definitions/Descriptions
GWh	gigawatt-hour, one million kilowatt-hours (kWh), a unit of electricity production and consumption
IATF16949	an international technical specification of automotive industry quality management system, which was prepared by International Automotive Task Force (IATF) and ISO (International Organization for Standardization)
installed capacity	the volume of battery products installed in NEVs or ESSs, usually expressed in electricity unit of GWh
iron phosphate	iron phosphate, also known as high iron phosphate and iron orthophosphate, with molecular formula FePO4, is a white, off-white monoclinic crystal powder, and is a compound used to synthesize lithium iron phosphate battery cathode materials
ISO14001	the international standard that specifies requirements for an environmental management system
ISO45001	the international standard for occupational health and safety at workplaces
ISO9001	the international standard that specifies requirements for a quality management system
LFP battery.	a lithium-ion battery that uses lithium iron phosphate (LiFePO4) as the cathode material
lithium	a metal chemical element, of which the element symbol is Li, and the atomic number is 3
OEM(s)	original equipment manufacturer(s), and in the context of the automotive industry, automotive makers or brands that manufacture motor vehicles
power battery	a kind of lithium-ion battery that provides power primarily for NEVs
NEVs	new energy passenger vehicles, comprising battery electric vehicles, plug-in hybrid electric vehicles and fuel cell electric vehicles
separator.	a permeable membrane placed between a battery's anode and cathode to keep the two electrodes apart to prevent electrical short circuits while allowing the transport of ionic charge carriers
ternary battery	a kind of lithium-ion battery that use lithium-nickel-cobalt-manganese oxide (NCM) or lithium-nickel-cobalt-aluminum oxide (NCA) as cathode material
V	a unit of voltage

Abbreviation	Definitions/Descriptions
VDA	German Association of the Automotive Industry
Wh/kg	watt-hour per kilogram
°C	degree Celsius, the unit of temperature measurement on the Celsius scale

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FINANCIAL STATEMENTS

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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, 2021, 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 2021, 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 is mainly engaged in the R & D, production and sales of batteries and supporting products and achieved operation revenue of RMB10,223,470,462.10 for year of 2021. 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) Analyzing revenues and gross profits based on product types, to understand whether there are abnormal fluctuations in the revenues and gross profits for the year, and analyze the rationality of changes; (5) Implement confirmation procedures on a sample basis for customers to confirm the amount of operating revenue, so as to evaluate the authenticity and accuracy of the revenue recognition; (6) 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; (7) Check whether information relating to operating income is properly presented and disclosed in the financial statements.

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 2021, as for accounts receivable of the Company, the carrying amount was RMB8,096,576,543.64, the bad debt provision was RMB1,377,201,039.82. 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.

Suya Jincheng CPA LLP

Certified Public Accountants of China:
(Engagement Partner)

Certified Public Accountants of China:

Nanjing, China

April 27, 2022

Consolidated Balance Sheet

On December 31st 2021

Item	*Note*	Balance as at 31 December 2021	Balance as at 31 December 2020
Current Assets:			
Cash and bank balances	*1*	11,385,051,081.47	3,343,527,263.79
Held-for-trading financial assets	*2*	53,385,792.58	411,114,371.81
Derivative financial assets			
Notes receivable	*3*	164,024,116.21	426,640,727.37
Accounts receivable	*4*	6,719,375,503.82	6,587,351,398.56
Receivables for financing	*5*	1,148,162,359.10	608,839,017.64
Prepayments	*6*	229,538,072.36	248,702,643.38
Other receivables	*7*	265,294,413.85	134,938,931.80
Inventories	*8*	4,488,468,539.81	3,220,326,787.62
Contract assets			
Held-for-sale assets			
Non-current assets due within one year	*9*	126,672,370.16	84,217,473.68
Other current assets	*10*	700,468,221.26	553,848,417.59
Total Current Assets		25,280,440,470.62	15,619,507,033.24
Non-current Assets:			
Debt investment			
Other debt investment	*11*	4,462,990.00	4,567,430.00
Financial assets available for sale			
Long-term receivables	*12*	24,674,913.95	71,473,663.57
Long-term equity investment	*13*	1,033,479,231.47	667,998,925.53
Other equity investment	*14*	1,021,466,991.08	915,306,947.39
Other non-current financial assets			
Investment properties			
Fixed assets	*15*	8,761,582,173.91	7,159,879,961.36
Construction in progress	*16*	2,632,201,747.37	1,151,952,297.82
Bearer biological assets			
Oil and gas assets			
Right-of-use assets	*17*	9,290,822.60	
Intangible assets	*18*	1,895,304,240.67	1,264,136,456.37
Development expenditure	*19*	390,906,347.20	149,815,816.87
Goodwill	*20*	147,923,753.27	81,366,333.62
Long-term deferred expenses	*21*	18,706,261.34	12,042,115.27
Deferred tax assets	*22*	544,306,120.67	466,207,919.93
Other non-current assets	*23*	1,848,663,246.51	270,357,289.45
Total Non-current Assets		18,332,968,840.04	12,215,105,157.18
Total Assets		43,613,409,310.66	27,834,612,190.42

Item	Note	Balance as at 31 December 2021	Balance as at 31 December 2020
Current liabilities:			
Short-term borrowings	*24*	5,480,447,055.22	3,251,886,000.00
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	*25*	4,829,299,206.05	3,031,992,478.44
Accounts payable	*26*	5,405,708,511.50	4,016,756,379.22
Receipts in advance			
Contract liabilities	*27*	561,210,694.49	123,360,121.85
Employee benefits payable	*28*	188,875,199.41	113,386,897.98
Taxes payable	*29*	219,497,413.74	220,428,792.48
Other payables	*30*	284,341,882.46	239,021,508.23
Held-for-sale liabilities			
Non-current liabilities due within one year	*31*	1,238,829,643.16	879,397,249.24
Other current liabilities	*32*	74,057,094.63	17,517,610.82
Total current Liabilities		18,282,266,700.66	11,893,747,038.26
Non-current liabilities:			
Long-term borrowings	*33*	4,377,862,351.03	2,586,657,483.68
Bonds payable	*34*	498,699,420.14	995,799,629.08
Including: preferred shares			
Perpetual bonds			
Lease liabilities	*35*	6,199,901.96	
Long-term payables	*36*	589,800,000.00	697,551,884.79
Provisions	*37*	275,879,048.79	281,617,439.77
Deferred income	*38*	162,139,298.34	264,873,230.79
Deferred tax liabilities	*22*	46,161,808.33	39,039,996.22
Other non-current liabilities			
Total non-current liabilities		5,956,741,828.59	4,865,539,664.33
Total liabilities		24,239,008,529.25	16,759,286,702.59
Owners' Equity:			
Share capital	*39*	1,664,707,835.00	1,280,544,489.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	*40*	13,194,367,010.80	6,231,304,068.37
Less: Treasury shares	*41*	139,123,513.00	110,832,115.66
Other comprehensive income	*42*	495,912,480.89	188,302,446.71
Surplus reserves	*43*	178,338,303.05	158,973,015.65
Retained earnings	*44*	3,383,520,937.01	3,157,722,575.92
Total owners' equity attributable to owner of the Company		18,777,723,053.75	10,906,014,479.99
Minority equity		596,677,727.66	169,311,007.84
Total owners' equity		19,374,400,781.41	11,075,325,487.83
Total liabilities and owners' equity		43,613,409,310.66	27,834,612,190.42

Balance sheet of the parent company

On December 31st 2021

Item	Note	Balance as at 31 December 2021	Balance as at 31 December 2020
Current Assets:			
Cash and bank balances		7,301,850,480.87	160,837,375.46
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	*1*	134,733.00	1,346,083.62
Receivables for financing			
Prepayments			7,672,638.70
Other receivables	*2*	612,291,984.03	823,213,264.87
Inventories			
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		9,119,363.06	4,727,657.67
Total Current Assets		7,923,396,560.96	997,797,020.32
Non-current Assets:			
Debt investment			
Other debt investment			
Financial assets available for sale			
Long-term receivables			
Long-term equity investment	*3*	10,453,433,361.90	9,984,113,059.64
Other equity investment			
Other non-current financial assets			
Investment properties			
Fixed assets			
Construction in progress			
Bearer biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		57,192,083.54	49,233,038.75
Other non-current assets			
Total Non-current Assets		10,510,625,445.44	10,033,346,098.39
Total Assets		18,434,022,006.40	11,031,143,118.71

Item	Note	Balance as at 31 December 2021	Balance as at 31 December 2020
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Receipts in advance			
Contract liabilities			
Employee benefits payable		5,556,804.04	1,973,602.37
Taxes payable			22,950.00
Other payables		535,174,286.27	103,111,279.40
Held-for-sale liabilities			
Non-current liabilities due within one year		20,412,500.00	
Other current liabilities			
Total current Liabilities		561,143,590.31	105,107,831.77
Non-current liabilities:			
Long-term borrowings			
Bonds payable		498,699,420.14	995,799,629.08
Including: preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		498,699,420.14	995,799,629.08
Total liabilities		1,059,843,010.45	1,100,907,460.85
Owners' Equity:			
Share capital		1,664,707,835.00	1,280,544,489.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves		15,530,081,961.02	8,647,145,126.17
Less: Treasury shares		80,123,513.00	51,832,115.66
Other comprehensive income			
Surplus reserves		85,225,126.33	65,859,838.93
Retained earnings		174,287,586.60	-11,481,680.58
Total owners' equity		17,374,178,995.95	9,930,235,657.86
Total liabilities and owners' equity		18,434,022,006.40	11,031,143,118.71

Consolidated Income Statement

For the reporting period from January 1st 2021 to December 31st 2021

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Total operating revenue	45	10,356,081,191.76	6,724,233,230.56
Less: Total operating costs	45	8,429,245,133.18	5,027,919,449.91
Taxes and surcharges	46	74,940,196.25	43,473,614.96
Selling expenses	47	330,216,579.45	266,109,389.97
Administrative expenses	48	569,414,418.07	397,827,110.01
R&D expenses	49	644,197,062.47	498,513,896.82
Financial expenses	50	335,245,229.16	311,920,793.18
Including: Interest expenses		389,648,394.41	352,621,952.04
Interest income		59,383,695.10	58,979,679.81
Add: Other Income	51	558,624,020.53	393,314,184.80
Investment income	52	14,514,886.50	60,968,520.72
Including: Investment gains in associated enterprise and joint-venture enterprise		27,581,994.31	-6,120,725.12
Income from derecognition of financial assets measured at amortized cost			
Gains (losses) from changes in fair values	53	-175,464.22	414,840.18
Credit impairment losses	54	-343,314,832.26	-335,910,826.67
Impairment losses of assets	55	-197,741,537.19	-134,840,176.17
Asset disposal income	56	34,432,634.00	5,189,719.48
II. Operating profit		39,162,280.54	167,605,238.05
Add: Non-operating income	57	16,925,498.81	9,726,695.89
Less: Non-operating expenses	58	8,252,878.88	10,891,007.81
III. Total profit		47,834,900.47	166,440,926.13
Less: Income tax expenses	59	-29,091,513.29	19,536,994.87
IV. Net profit		76,926,413.76	146,903,931.26
4.1 Classification by continuous operation			
(a) Net profit on continuous operation		72,363,821.73	146,903,931.26
(b) Net loss on terminated operation		4,562,592.03	
4.2 Classification by attribution of ownership			
(a) Profit or loss attributable to minority shareholders		101,890,171.25	149,673,020.43
(b) Net profit attributable to owners of parent company		-24,963,757.49	-2,769,089.17
V. Other comprehensive income, net of income tax		450,883,511.42	188,240,197.23
Other comprehensive income attributable to owners of the Company, net of tax		450,883,511.42	188,240,197.23

Item	Note	Amount for the current period	Amount for the prior period
(I) Items that will not be reclassified subsequently to profit or loss		454,660,886.98	193,918,791.83
1. Changes from re-measurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
3. Changes in fair value of other investments in equity instruments		454,660,886.98	193,918,791.83
4. Changes in fair value of company' own credit risk			
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods		-3,777,375.56	-5,678,594.60
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		-1,431,384.41	
2. Changes in fair value of other debt investments			
3. Amounts of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investment			
5. Reserve for cash flow			
6. Translation differences of financial statements denominated in foreign currencies		-2,345,991.15	-5,678,594.60
Other comprehensive income attributable to minority interests, net of tax			
VI. Total comprehensive income		527,809,925.18	335,144,128.49
Total comprehensive income attributable to owners of the parent company		552,773,682.67	337,913,217.66
Total comprehensive income attributable to minority shareholders		-24,963,757.49	-2,769,089.17
VII. Earnings per share			
(I) Basic earnings per share		0.08	0.13
(II) Diluted earnings per share		0.08	0.13

Legal Representative: Person in charge of the accounting work: Person in Charge of the Accounting Department:

Income Statement of the Parent Company

For the reporting period from January 1st 2021 to December 31st 2021

Unit: RMB

Item	*Note*	Amount for the current period	Amount for the prior period
I. Total operating revenue	*4*	1,069,514.05	2,860,063.43
Less: Total operating costs	*4*	1,069,514.04	2,860,063.44
Taxes and surcharges		5,961.90	176,777.72
Selling expenses			
Administrative expenses		55,174,698.59	39,168,468.46
R&D expenses			
Financial expenses		-10,260,007.06	269,588.89
Including: Interest expenses			357,283.10
Interest income		10,264,498.46	100,672.54
Add: Other Income		465.00	
Investment income	*5*	241,635,302.26	1,617,130.18
Including: Investment gains in associated enterprise and joint-venture enterprise		21,635,302.26	1,617,130.18
Income from derecognition of financial assets measured at amortized cost			
Gains (losses) from changes in fair values			
Credit impairment losses		550,395.95	7,860,510.47
Impairment losses of assets			
Asset disposal income			-364.11
II. Operating profit		197,265,509.79	-30,137,558.54
Add: Non-operating income			330,291.42
Less: Non-operating expenses		90,000.00	65,677.88
III. Total profit		197,175,509.79	-29,872,945.00
Less: Income tax expenses		-7,959,044.79	-4,779,188.11
IV. Net profit		205,134,554.58	-25,093,756.89
(a) Net profit on continuous operation		205,134,554.58	-25,093,756.89
(b) Net loss on terminated operation			
V. Other comprehensive income, net of income tax			
(I) Items that will not be reclassified subsequently to profit or loss			
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods			
VI. Total comprehensive income		205,134,554.58	-25,093,756.89

Legal Representative: Person in charge of the accounting work: Person in Charge of the Accounting Department:

Consolidated statements of cash flows

For the reporting period from January 1st 2021 to December 31st 2021

Unit: RMB

Item	*Note*	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		7,317,708,178.01	3,929,513,221.22
Receipts of tax refunds		233,194,951.01	147,930,485.11
Other cash receipts relating to operating activities	*60(1)*	575,613,925.32	361,294,039.26
Sub-total of cash inflows from operating activities		8,126,517,054.34	4,438,737,745.59
Cash payments for goods purchased and services received		5,330,870,792.71	2,587,185,603.60
Cash payments to and on behalf of employees		936,932,538.24	708,895,896.36
Payment of various types of taxes		205,255,393.94	190,502,941.09
Other cash payments relating to operating activities	*60(2)*	595,248,296.33	267,199,473.12
Sub-total of cash outflows from operating activities		7,068,307,021.22	3,753,783,914.17
Net cash flow from operating activities		1,058,210,033.12	684,953,831.42
II. Cash flows from investing activities:			
Cash receipts from disposal and recovery of investments		957,998,215.10	769,054,883.47
Cash receipts from investment income		830,239.73	22,608,050.98
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		7,620,952.28	3,144,735.29
Net cash receipts from disposals of subsidiaries and other business entities		12,865,006.20	
Other cash receipts relating to investing activities	*60(3)*	323,217.73	80,833,449.84
Sub-total of cash inflows from investing activities		979,637,631.04	875,641,119.58
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		4,449,708,723.36	2,094,084,294.64
Cash payments to acquire investments		713,200,893.44	1,022,459,855.03
Net cash payments for acquisitions of subsidiaries and other business entities			1,995,573.72
Other cash payments relating to investing activities	*60(4)*	1,926,364.40	
Sub-total of cash outflows from investing activities		5,164,835,981.20	3,118,539,723.39
Net Cash Flow from Investing Activities		-4,185,198,350.16	-2,242,898,603.81

Item	*Note*	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		7,675,454,641.43	21,000,000.00
Including: cash receipts from capital contributions from minority owners of subsidiaries		431,000,000.00	21,000,000.00
Cash receipts from borrowings		8,890,526,251.66	6,357,322,684.03
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities	*60(5)*	27,622,519.05	484,090,702.44
Sub-total of cash inflows from financing activities		16,593,603,412.14	6,862,413,386.47
Cash repayments of borrowings		5,073,017,951.45	4,823,354,059.44
Cash payments for distribution of dividends or profits or settlement of interest expenses		471,639,196.18	332,246,551.36
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities	*60(6)*	917,398,494.19	372,984,500.87
Sub-total of cash outflows from financing activities		6,462,055,641.82	5,528,585,111.67
Net cash flows from Financing Activities		10,131,547,770.32	1,333,828,274.80
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		-2,511,957.07	-16,790,912.61
V. Net Increase (decrease) in Cash and Cash Equivalents		7,002,047,496.21	-240,907,410.20
Add: Opening balance of Cash and Cash Equivalents		2,437,055,743.03	2,677,963,153.23
VI. Closing Balance of Cash and Cash Equivalents		9,439,103,239.24	2,437,055,743.03

Legal Representative: Person in charge of the accounting work: Person in Charge of the Accounting Department:

Statement of cash flows of the parent company

For the reporting period from January 1st 2021 to December 31st 2021

Unit: RMB

Item	*Note*	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		563,496.32	27,238,145.17
Receipts of tax refunds			
Other cash receipts relating to operating activities		960,063,833.06	268,810,670.01
Sub-total of cash inflows from operating activities		960,627,329.38	296,048,815.18
Cash payments for goods purchased and services received		1,208,550.86	4,189,535.54
Cash payments to and on behalf of employees		23,629,260.96	20,460,401.14
Payment of various types of taxes		11,923.80	186,538.42
Other cash payments relating to operating activities		99,022,168.17	169,482,589.78
Sub-total of cash outflows from operating activities		123,871,903.79	194,319,064.88
Net cash flow from operating activities		836,755,425.59	101,729,750.30
II. Cash flows from investing activities:			
Cash receipts from disposal and recovery of investments			
Cash receipts from investment income			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		2,277,195.39	
Net cash receipts from disposals of subsidiaries and other business entities			
Other cash receipts relating to investing activities			100,672.54
Sub-total of cash inflows from investing activities		2,277,195.39	100,672.54
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets			
Cash payments to acquire investments		447,685,000.00	
Net cash payments for acquisitions of subsidiaries and other business entities			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		447,685,000.00	
Net Cash Flow from Investing Activities		-445,407,804.61	100,672.54

Item	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		7,244,454,641.43	
Cash receipts from borrowings			
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities		27,622,519.05	180,200,682.25
Sub-total of cash inflows from financing activities		7,272,077,160.48	180,200,682.25
Cash repayments of borrowings		500,000,000.00	6,956,223.04
Cash payments for distribution of dividends or profits or settlement of interest expenses			
Other cash payments relating to financing activities		22,411,676.05	128,768,040.35
Sub-total of cash outflows from financing activities		522,411,676.05	135,724,263.39
Net cash flows from Financing Activities		6,749,665,484.43	44,476,418.86
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents			
V. Net Increase (decrease) in Cash and Cash Equivalents		7,141,013,105.41	146,306,841.70
Add: Opening balance of Cash and Cash Equivalents		160,837,375.46	14,530,533.76
VI. Closing Balance of Cash and Cash Equivalents		7,301,850,480.87	160,837,375.46

Legal Representative: Person in charge of the accounting work: Person in Charge of the Accounting Department:

Consolidated Statement of Changes in Owners' Equity

For the reporting period from January 1st 2021 to December 31st 2021

Unit: RMB

	Amount for the current period										
	Owner's equity attributable to the parent company										
		Other equity instruments									
Item	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserves	Less: Treasury shares	Other comprehensive income	Surplus reserves	Retained earnings	Minority equity	Total owners' equity
I. Closing balance of the preceding year	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	169,311,007.84	11,075,325,487.83
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	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	169,311,007.84	11,075,325,487.83
III. Increase or decrease in the current period	384,163,346.00				6,963,062,942.43	28,291,397.34	307,610,034.18	19,365,287.40	225,798,361.09	427,366,719.82	8,299,075,293.58
(I) Total comprehensive income							450,883,511.42		101,890,171.25	-24,963,757.49	527,809,925.18
(II) Owners' contributions and reduction in capital	384,163,346.00				6,963,062,942.43	28,291,397.34				452,330,477.31	7,771,265,368.40
1. Capital contribution from shareholders	384,163,346.00				6,846,691,739.62					431,000,000.00	7,661,855,085.62
2. Capital contribution from shareholders					64,004,535.98					704,246.34	64,708,782.32
3. Others					52,366,666.83	28,291,397.34				20,626,230.97	44,701,500.46
(III) Profit distribution								19,365,287.40	-19,365,287.40		
1. Transfer to surplus reserves								19,365,287.40	-19,365,287.40		
2. Distributions to shareholders											
3. Others											
(IV) Transfers within owners' equity							-143,273,477.24		143,273,477.24		
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Others							-143,273,477.24		143,273,477.24		
IV. Closing balance of the current period	1,664,707,835.00				13,194,367,010.80	139,123,513.00	495,912,480.89	178,338,303.05	3,383,520,937.01	596,677,727.66	19,374,400,781.41

Legal Representative: Person in charge of the accounting work: Person in Charge of the Accounting Department:

Unit: RMB

Item	Amount for the prior period										
	Owner's equity attributable to the parent company										
		Other equity instruments									
	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserves	Less: Treasury shares	Other comprehensive income	Surplus reserves	Retained earnings	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	151,789,856.28	9,055,823,564.49
Add: Changes in accounting policies											
Corrections of prior period errors											
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	151,789,856.28	9,055,823,564.49
III. Increase or decrease in the current period	143,893,670.00				1,364,027,776.65	-156,146,107.47	176,350,077.53		161,563,140.13	17,521,151.56	2,019,501,923.34
(I) Total comprehensive income							188,240,197.23		149,673,020.43	-2,769,089.17	335,144,128.49
(II) Owners' contributions and reduction in capital	143,893,670.00				1,364,027,776.65	-156,146,107.47				20,290,240.73	1,684,357,794.85
1. Capital contribution from shareholders	151,191,756.00				1,359,844,824.85					21,000,000.00	1,532,036,580.85
2. Capital contribution from shareholders	-7,298,086.00				-96,709,413.14	-104,007,499.14					
3. Others					100,892,364.94	-52,138,608.33				-709,759.27	152,321,214.00
(III) Profit distribution											
1. Transfer to surplus reserves											
2. Distributions to shareholders											
3. Others											
(IV) Transfers within owners' equity							-11,890,119.70		11,890,119.70		
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Others							-11,890,119.70		11,890,119.70		
IV. Closing balance of 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	169,311,007.84	11,075,325,487.83

Legal Representative: Person in charge of the accounting work: Person in Charge of the Accounting Department:

Statement of changes in owners' equity of the parent company

For the reporting period from January 1st 2021 to December 31st 2021

Unit: RMB

	Amount for the current period									
		Other equity instruments								
Item	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserves	Less: Treasury shares	Other comprehensive income	Surplus reserves	Retained earnings	Total owners' equity
I. Closing balance of the preceding year	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
Add: Changes in accounting policies										
Corrections of prior period errors										
Others										
II. Opening balance of the current year	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
III. Increase or decrease in the current period	384,163,346.00				6,882,936,834.85	28,291,397.34		19,365,287.40	185,769,267.18	7,443,943,338.09
(I) Total comprehensive income									205,134,554.58	205,134,554.58
(II) Owners' contributions and reduction in capital	384,163,346.00				6,882,936,834.85	28,291,397.34				7,238,808,783.51
1. Capital contribution from shareholders	384,163,346.00				6,846,691,739.62					7,230,855,085.62
2. Capital contribution from shareholders					7,953,697.89					7,953,697.89
3. Others					28,291,397.34	28,291,397.34				
(III) Profit distribution								19,365,287.40	-19,365,287.40	
1. Transfer to surplus reserves								19,365,287.40	-19,365,287.40	
2. Distributions to shareholders										
3. Others										
(IV) Transfers within owners' equity										
1. Capitalization of capital reserve										
2. Capitalization of surplus reserve										
3. Loss offset by surplus reserve										
4. Others										
IV. Closing balance of the current period	1,664,707,835.00				15,530,081,961.02	80,123,513.00		85,225,126.33	174,287,586.60	17,374,178,995.95

Legal Representative: Person in charge of the accounting work: Person in Charge of the Accounting Department:

Unit: RMB

Item	Amount for the prior period									
		Other equity instruments								
	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserves	Less: Treasury shares	Other comprehensive income	Surplus reserves	Retained earnings	Total owners' equity
I. Closing balance of the preceding 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
Add: Changes in accounting policies										
Corrections of prior period errors										
Others										
II. Opening balance of the current year	1,136,650,819.00				7,283,117,349.52	207,978,223.13		65,859,838.93	13,612,076.31	8,291,261,860.63
III. Increase or decrease in the current period	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) Owners' contributions and reduction in capital	143,893,670.00				1,364,027,776.65	-156,146,107.47				1,664,067,554.12
1. Capital contribution from shareholders	151,191,756.00				1,359,844,824.85					1,511,036,580.85
2. Capital contribution from shareholders	-7,298,086.00				-96,709,413.14	-104,007,499.14				
3. Others					100,892,364.94	-52,138,608.33				153,030,973.27
(III) Profit distribution										
1. Transfer to surplus reserves										
2. Distributions to shareholders										
3. Others										
(IV) Transfers within owners' equity										
1. Capitalization of capital reserve										
2. Capitalization of surplus reserve										
3. Loss offset by surplus reserve										
4. Others										
IV. Closing balance of 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

Legal Representative: Person in charge of the accounting work: Person in Charge of the Accounting Department:

I. Basic Information about the Company

1. Company profile

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

In accordance with resolutions of the forth meeting of the eighth session of the Board of Directors, the resolution of the 1st Extraordinary General Meeting of 2020, and CSRC's Official Reply on Approving the Registration of Share Offering to Special Objects by Gotion Hi-Tech Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1421), the Company is approved to issue 384,163,346.00 shares to specific investee Volkswagen (China) Investment Co., Ltd, the par value per share is RMB1.00 and the issue price per share is RMB19.01. The net amount of funds raised by the Company after deducting underwriting fees, attorney's fees, capital verification and other expenses (excluding tax) totaled RMB7,230,855,085.62, in which RMB384,163,346.00 is recognized in share capital and RMB6,846,691,739.62 is recognized in capital reserve (equity premium). After this change, the share capital is changed to 1,664,707,835.00,and the registered capital is changed to RMB1,664,707,835.00. As of the date of issuance of this report, the company has not completed the industrial and commercial change registration procedures for this capital increase.

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).

2. *The scope of consolidated financial statements*

The consolidation scope of the company's consolidated financial statements is determined on the basis of control, and all controlled subsidiaries are included in the consolidation scope of the consolidated financial statements.

Details of the subsidiaries incorporated into the consolidated financial statements show on "Note VII.1.Interests in subsidiaries", Changes in the scope of consolidation show on "Note VI. Changes in consolidated scope".

II. Basis of Preparation of Financial Statements

1. Basis of preparation of financial statements

The Company has prepared its financial statements on a going concern basis, and recognized and measured its accounting items in compliance with the Accounting Standards for Business Enterprises—Basic Standards and various concrete accounting standards, and other relevant provisions on the basis of actual transactions and events.

2. Going concern

The Company has sustainable operation ability for at least 12 months from the end of the reporting period. In addition, there is no significant event affecting going concern.

III. Significant Accounting Policies and Accounting Estimates

1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the group's financial position, the Company's and results of operations, and changes in shareholders' equity, cash flows and other related information for the reporting period.

2. Accounting period

The Company's accounting period is calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operating cycle

The Company's accounting period is 12 months.

4. Functional currency

The Company has adopted RMB as functional currency.

5. The accounting treatment of business combinations involving enterprises under common control and not under common control

(1) Accounting treatment method for business combination under common control

Business combination under common control is accounted for under pooling of interest method.

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.

(2) Accounting treatment method of business combination not under common control

The Company accounts for business combination not under common control under purchase method.

a) 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.

b) The cost of acquisition shall be respectively determined for the following conditions;

i. 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.

ii. 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.

c) The Company, on the acquisition date, allocates the combination costs between the identifiable assets and liabilities acquired

i. 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.

ii. Intangible assets of the acquiree obtained by the Company through business combination shall be separately recognized and measured at fair value when their fair values can be reliably measured.

iii. 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.

iv. 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.

v. 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.

d) Treatment of the difference between the business combination costs and the fair value of net identifiable asset acquired from the acquiree through combination

i. The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable asset acquired from the acquiree through combination as goodwill.

ii. The Company shall recognize the difference of the combination costs in short of the fair value of the net identifiable asset acquired from the acquiree through combination according to the following provisions:

Review the measurement of fair values of all the identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the combination costs;

After the review, if the combination costs are still in short of the fair value of the net identifiable asset acquired from the acquiree through combination, include the difference in the current profit and loss.

(3) Treatment of relevant expenses arising from the Company's business combination

a) Relevant expenses directly arising from the business combination of the Company (including the expenses for audit, legal services, evaluation and consultation or other intermediary costs for business combination) shall be included in the current profit and loss when they are incurred.

b) Commissions, fees and other expenses paid on issuance of bonds and undertaking of other debts for the business combination shall be included in the initial measurement amount of debt securities.

i. Where the bonds are issued at discount or par value, that part of expenses will increase the amount of the discount;

ii. Where the bonds are issued at premium, that part of expenses will decrease the amount of the premium.

c) Fees, commissions, and other transaction expenses paid on issuance of equity securities as combination consideration in the business combination shall be included in the initial measurement amount of equity securities.

i. Where the equity securities are issued at premium, that part of expenses shall be deducted from capital reserves (stock premium);

ii. Where the equity securities are issued at par value or discount, that part of expenses shall be deducted from the retained earnings.

6. *Preparation of consolidated financial statements*

(1) Consistency of 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.

(2) Preparation method of 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.

(3) Reflection of excess losses incurred to a 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.

(4) Changes in number of subsidiaries during the reporting period

a) Acquisition of subsidiaries during the reporting period

i. <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.

ii. Treatment of acquiring subsidiaries from business combination not under common control during the reporting period

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.

b) 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 the accounting treatment method of common 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. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand.

Cash equivalents are the company's short-term (due within 3 months from purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Foreign currency transactions and translation of foreign currency statements

(1) Accounting method of foreign currency transactions

a) Initial recognition of foreign currency transactions

For foreign currency transactions incurred, the Company converts the amount in foreign currency into the amount in functional currency at the spot exchange rate (middle rate) announced by the People's Bank of China on the transaction date. Among them, for foreign currency exchange occurred or transaction involving foreign currency exchange, the Company converts at the exchange rate actually adopted on the transaction date.

b) Adjustment or settlement on the balance sheet date or settlement date

On the balance sheet date or the settlement date, the Company handles foreign currency monetary items and foreign currency non-monetary items separately in accordance with the following methods:

i. <u>Accounting principles for handling foreign currency monetary items</u>

For foreign currency monetary items, on the balance sheet date or the settlement date, the Company converts them by using the spot exchange rate (middle rate) prevailing on the balance sheet date or settlement date, and adjusts the amount in functional currency of foreign currency monetary items in respect of the difference arising from exchange rate fluctuations, which shall be treated as exchange difference at the same time. Among them, the exchange differences arising from foreign currency loans relating to the acquisition, construction or production of assets eligible for capitalization shall be included in the costs of assets eligible for capitalization; other exchange differences shall be included in the current financial expenses.

ii. <u>Accounting principles for handling foreign currency non-monetary items</u>

For foreign currency non-monetary items measured at historical cost, the Company shall convert them at the spot exchange rate (middle rate) prevailing on the transaction date, with their amounts in functional currency remaining unchanged and no exchange differences incurred.

For an inventory that is measured at the lower of its costs or its net realizable values, if the net realizable value is determined in foreign currency, the Company, when determining the value of the inventory at the end of the period, shall firstly convert the net realizable value into functional currency and then compare it with the inventory cost reflected in functional currency.

Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated as profit or loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss.

(2) Accounting treatment method for translation of foreign currency statements

a) The Company shall translate the financial statements of foreign operations in accordance with the following methods:

i. Assets and liabilities in the balance sheets shall be translated at the spot exchange rates on balance sheet date. Shareholders' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the dates when the transactions occur.

ii. Revenue and expense items in the income statement are translated at the spot exchange rates on the dates when the transactions occur or at the exchange rate determined in a systematical and reasonable method and similar to the spot exchange rate on the day when the transactions occur.

Differences arising from the above translations of foreign currency financial statements are separately listed under 'other comprehensive income' in the consolidated balance sheet.

The translation of comparative financial statements is handled by reference to the above approach.

b) The Company shall translate the financial statements of foreign operations that are in virulent inflation economy in accordance with the following methods:

i. The Company restates the items in the balance sheet by using the general price index, and restates the items in the income statement by using the changes in general price index, and then converts those items at the spot exchange rate on the latest balance sheet date.

ii. Where the foreign operations are no longer in virulent inflation economy, the Company ceases to restate the financial statements and converts the financial statements restated according to the price level on such cease.

c) Where the Company disposes of an overseas business, it shall transfer the foreign currency financial statements exchange difference, which relates to the business disposed of and is presented under the items of the other comprehensive income in the balance sheet, from the other comprehensive income item to the gain or loss on disposal for the current period. If the overseas business is partly disposed of, the foreign currency financial statements exchange difference shall be calculated in proportion to the percentage of disposal and transferred to gain or loss on disposal for the current period.

10. Financial Instruments

Financial instruments are the financial asset, financial liability or (equity) instrument will be recognised when the Company became one of the parties under a contract.

(1) Classification of financial instruments

a) Classification of financial assets

According to the company's business model of managing financial assets and the characteristics of contract cash flow of financial assets, financial assets are classified into the following three categories: financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income (including financial assets directly designated to be measured at fair value through other comprehensive income); and financial assets measured at fair value through the current profit or loss.

b) Classification of financial liabilities

The Company classifies the financial liabilities into the following two categories: financial liabilities measured at fair value through current profit and loss (including financial liabilities held for trading and financial liabilities directly designated to be at fair value through current profit and loss); and financial liabilities measured at amortized cost.

(2) Recognition basis and measurement method of financial instruments

a) Recognition basis of financial instruments

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

b) Measurement method of financial instruments

i. Financial assets

Financial assets are measured at fair value upon initial recognition. For financial assets at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognized. Accounts receivable or notes receivable arising from sales of goods or rendering services and without significant financing component or the company decided not to consider financing elements for less than one year are initially recognized based on the amount of consideration expected to be entitled to receive according to Accounting Standard for Business Enterprises No. 14—Revenue.

① Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method after initial recognition. Gains/losses on financial assets that are measured at amortized cost and are not a part of any hedging relationship shall be recognized in profit or loss when the financial asset is derecognised or reclassification or amortized using the effective interest method or recognized the impairment allowance.

② Financial assets measured at fair value through other comprehensive income

These assets are subsequently measured at fair value after initial recognition. Except impairment, foreign exchange gains and losses, interest income calculated using the effective interest method are recognized in profit or loss; other gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are transferred to profit or loss.

In addition, the company designated some non-tradable equity instruments as financial assets measured at fair value through other comprehensive income; the company shall recognize the relevant dividend income of such financial assets into the current profit and loss, and recognize the change of fair value in other comprehensive income. On derecognition, the accumulated gains/losses previously recognized in other comprehensive income shall be transferred to retained earnings and not be recognized in current profit and loss.

③ Financial assets measured at fair value through profit or loss

The Company classifies the financial assets, except for financial assets measured at amortized cost or at fair value through other comprehensive income as mentioned above, into the financial assets measured at fair value through profit or loss for the current period. In addition, the company may designate some financial assets as financial assets measured at fair value through profit or loss for the current period upon the initial recognition to eliminate or significantly reduce accounting mismatch. For such financial assets, the company adopts the fair value for subsequent measurement, and changes in fair value are recognized in the profit or loss for the current period.

ii. Financial liabilities

Financial liabilities shall be classified into financial liabilities measured at fair value through profit or loss for the current period upon initial recognition and other financial liabilities. For financial liabilities measured at fair value through profit or loss, relevant transaction costs are directly recognized in the current profit and loss, and the relevant transaction costs of other financial liabilities are recognized in the initial recognition amount.

① Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading (including derivatives of financial liabilities) shall be subsequently measured at the fair value. Except for those related to hedge accounting, changes in the fair value shall be recognized in the profit or loss of the current period. For financial liabilities designated to be at fair value through profit or loss, fair value changes caused by the Company’s own credit risk changes which is recognized in other comprehensive income, when the liability is derecognition, the accumulated change in its fair value caused by the change in its own credit risk recognized in other comprehensive income is transferred to retained earnings, the remaining changes of fair value is record in profit of loss. If the above treatment of the impact of the change in the credit risk of such financial liabilities will cause or expand the accounting mismatch in the profit and loss, the company will record all the gains/losses of such financial liabilities (including the amount affected by fair value changes in enterprise's own credit risk) into the current profit and loss.

② Financial liabilities measured at amortized cost

Except financial liabilities that arise when a transfer of a financial assets does not qualify for derecognition or when the continuing involvement approach applies security contract are classified as financial liabilities measured by amortized cost, or financial subsequently measurement at amortized cost, and record the profits or losses guarantee contracts recognition or amortization into the current profit and loss.

(3) Financial assets transfer

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the Company derecognises the financial asset, the rights and obligations arising or retained in the transfer shall be separately recognized as its assets or liabilities; if the Company retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the transferred financial assets. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it is accounted for as follows: if the Company has not retained control, it derecognises the financial asset, the rights and obligations arising or retained in the transfer shall be separately recognized as its assets or liabilities; and if the Company has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes the relevant liability.

Where transfer of financial assets qualify for derecognition entirety, the difference between the following two amounts will be included into current profit or loss: The book value measured at the date of derecognition; and The sum of the consideration for the derecognition part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in OCI (involving the situation where the financial asset transferred is a debt instrument investment measured at fair value and recognized in other comprehensive income). The Company transferred the partial transfer of financial assets which qualify for derecognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognition and the remaining.

(4) Derecognition of financial liabilities

If the current obligation of the financial liability (or part thereof) has been discharged, the company shall remove financial liability (or part thereof), and the company shall recognize the difference between its book value and the consideration paid (including any non-cash assets transferred or liabilities assumed) in the current profit and loss.

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities shall be shown separately in the balance sheet and shall not be offset against each other. If the following conditions are met at the same time, the net value offset each other after amount listed in the balance sheet:

The company has offset the confirmed amount of legal rights of financial assets and financial liabilities, and this kind of legal rights is the executable; and

The company plans to net or cash at the same time when the financial assets and liquidation of the financial liability.

If the transfer of financial assets does not meet the conditions for derecognition, the transferor shall not offset the transferred financial assets and related liabilities.

(6) Equity instruments

Equity instruments are contracts that prove ownership of the residual interest in the company's assets after deducting all liabilities. The issuance (including refinancing), repurchase, sale or cancellation of the equity instruments of the company shall be treated as changes in the equity. The company does not recognize changes in the fair value of equity instruments, and the transaction fees related to the equity transactions shall be deducted from the equity. Where the equity instrument of the company distributes dividends during the term of its existence, it shall be treated as profit distribution, and the total amount of shareholders' equity will not be affected by the stock dividends issued.

(7) Method for determining the fair value of financial assets and financial liabilities

Where there is an active market for a financial instrument, the company shall determine its fair value by quoting in the active market. Where there is no active market for the financial instrument, the company shall determine its fair value by means of valuation technology. In valuation, the company uses valuation techniques applicable in the current situation and supported by sufficient available data and other information to select input values consistent with the characteristics of assets or liabilities considered by market participants in transactions of related assets or liabilities, and gives priority to relevant observable input values as far as possible. Use unobservable inputs only when relevant observable inputs cannot be obtained or are impracticable to obtain.

Upon initial recognition, the fair value of financial assets or financial liabilities is determined by the quoted price of the same assets or liabilities in the active market or other valuation technology that only uses observable market data, the Company defers the difference between the fair value and the transaction price. After initial recognition, the Company recognizes the deferred difference as gain or loss in the corresponding accounting period according to the changes of a certain factor in the corresponding accounting period.

(8) Impairment of Financial Assets

Based on the expected credit loss, the Company shall recognize the impairment loss on financial assets measured at amortized cost, debt instrument investment at fair value through other comprehensive income.

a) The approach of recognition loss allowance for expected credit losses

Considering the reasonable and valid information such as past events, current conditions and forecast of future economic conditions, and weighted by the risk of default, the Company calculates the probability weighted amount of the present value of the difference between the cash flow receivable under the contract and the expected cash flow to be received, and confirms the expected credit loss.

i. General approach

The Company assess whether the credit risk of financial instruments in different stages at each reporting date has increased significantly. If the financial instruments' credit risk have not increased significantly after initial recognition, it will be included in phase 1, and the Company measures the loss allowance for those instruments at an amount equal to 12-month expected credit losses; if the financial instruments' credit risk have increased significantly but without objective evidence for impairment after initial recognition, it will be included in phase 2, and the Company measures the loss allowance of those instruments at an amount equal to lifetime expected credit losses; if the financial asset that is evidently credit-impaired after initial recognition, it will be included in phase 3, and the Company measures the loss allowance of those financial instruments at an amount equal to lifetime expected credit losses. For financial instruments with low credit risk on the balance sheet date (e.g. fixed deposits in commercial banks with higher credit rating, financial instruments with external credit rating above "investment grade"), the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss provision according to the expected credit loss in the next 12 months.

ii. Simplified approach

For accounts receivable, contract assets, lease receivables and Income-related notes receivable that do not contain significant financing components or do not consider the financing components in the contracts for no more than one year old, the company adopts simplified approach and shall always measure the loss allowance at an amount equal to lifetime expected credit losses.

For accounts receivable, contract assets and lease receivables are defined by the Accounting Standards for Business Enterprises No. 21-Leasing that include significant financing components, the company recognizes a loss allowance equal to the lifetime expected credit losses.

b) Criteria for determining whether credit risk has increased significantly subsequent to the initial recognition

If the probability of default of a financial asset in lifetime as determined on the balance sheet date is significantly higher than the probability of default in lifetime as determined at the initial recognition, the credit risk of the financial asset increases significantly.

No matter what method the Company is applied to evaluate whether credit risk has increased significantly, it usually inferred that the credit risk of the financial instrument has increased significantly if the contract payment delay exceeds 30 days, unless the Company can get the reasonable and valid information at reasonable cost to evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

Except in special cases, 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 lifetime to determine whether the credit risk has increased significantly to the initial recognition.

c) Approach of assessing expected credit risk on a portfolio basis and determine basis

The company evaluates credit risk individually for the credit risk of significantly different notes receivables, accounts receivables, contract assets, lease receivables and other receivables with the following characteristics. Such as: accounts receivables in dispute with the other party or involving litigation or arbitration; notes receivables, accounts receivables that have shown clear signs that the debtor is likely to be unable to meet repayment obligations.

When it is impossible to evaluate the expected credit loss information of an individual financial asset at a reasonable cost, the Company divides the receivables into several portfolio according to the credit risk characteristics, and calculates the expected credit loss on collective basis. The basis for determining the portfolio is as following:

Name	Approach of assessing expected credit risk
Bank acceptance bill Portfolio; Commercial acceptance bill Portfolio	For notes receivables divided into portfolio, the bank acceptance bill and commercial acceptance bill refer to the historical credit loss experience, and combines the current situation and the forecast of future economic situation respectively. The Company calculates the expected credit loss based on the default risk exposure and the expected credit loss rate of the whole duration.
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 take the provision or transfer the loss into the current profit and loss. For the debt instrument investment 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 and loss.

11. Inventory

(1) Classification of inventory

Inventories are classified as: raw materials, revolving materials (including low-cost consumables), goods in progress and, stock commodities, consigned processing materials, etc.

(2) Measurement method of dispatched inventories

Dispatched materials and stock commodities are accounted for by using the weighted average method.

(3) Basis to determine net realizable values of inventories and method of provision for stock obsolescence

a) Determination basis of net realizable values of inventories

i. In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their estimated selling prices minus their estimated selling expenses and relevant taxes and surcharges.

ii. In normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

iii. 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 the 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.

iv. The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

b) Provision for stock obsolescence

i. Provisions for stock obsolescence are made at the lower of costs or net realizable values on a single basis.

ii. For inventories with large quantity and relatively low unit prices, the provision for stock obsolescence shall be made on the ground of the categories of inventories.

(3) Inventory system

The Company adopts perpetual inventory system and takes physical inventory counts on a regular basis.

(4) Amortization method of revolving materials

a) Amortization method of low-cost consumables:

Low-cost consumables are amortized in full at once.

b) Amortization method of packaging materials

Packing materials are amortized in full at once when fetched for use by the Company.

12. Contract assets

A contract asset is a company's right to receive consideration for goods transferred to a customer, and this right depends on factors other than the passage of time. The company's contract assets mainly include completed and unsettled assets and quality guarantee deposit. The contract assets and contract liabilities under the same contract shall be shown on a net basis, and the contract assets and contract liabilities under different contracts shall not be set off.

For the determination method and accounting treatment method of expected credit loss of contract assets, refer to "Impairment of Financial Assets" in Note 10 (8).

13. Assets held for sale

Assets held for sale

a) Scope of a non-current asset held for sale and a disposal group

A non-current asset or disposal group is classified as held for sale when a company recovers its carrying value primarily through the sale (including the exchange of non-monetary assets of a commercial nature) rather than through the continuous use of such a group.

A disposal group is a group of assets that are disposed as a whole through sales or other ways in one transaction and liabilities directly related to these assets delivered in the transaction.

b) Recognition criteria of a non-current asset held for sale and a disposal group

The Company recognizes its component (or non-current asset) that satisfies the following conditions as assets held for sale:

i. The assets or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups;

ii. Its sale must be highly probable. The Company has already made a decision to dispose the component and has a commitment from the purchaser, the transfer will be completed within one year. If it requires shareholders' approval or supervisors' approval according to regulations, it has already received approval from the general meeting of stockholders or relative authority institution.

c) Accounting treatment and presentation of a non-current asset held for sale and a disposal group

The non-current asset or disposal group is first classified as held for sale, the Company should measure the non-current assets or assets and liabilities made up of disposal group in accordance with relevant accounting standards.

When the Company measure a non-current asset or disposal group held for sale initially or re-measure at balance sheet date subsequently, the impairment loss should be recognized if the book value is higher than fair valueless costs to sell at the amount of the difference of these two in profit and loss, the provision for assets held for sale need to be recognized at the same time. For the impairment of disposal group, should write off goodwill if existing, and then write down the related assets proportionally. Depreciation or amortization should cease for the non-current asset held for sale.

No matter the asset is classified as individual asset held for sale or asset belonging to disposal group, the asset is presented as current assets under "assets held for sale" item; liabilities related to the asset transferred in the disposal group held for sale is presented as current liabilities under "liabilities held for sale" item in the balance sheet.

The Company is committed to a sale plan involving loss of control of subsidiary shall classify all the assets and liabilities of that subsidiary held for sale in consolidated balance sheets when the above criteria are met, regardless of whether the Company retain a non-controlling interests in its former subsidiary after the sale. In the balance sheets of parent company the investment should be classified as held for sale in full. In the consolidated financial statements, all assets and liabilities of the subsidiaries are classified as held for sale.

Termination of business operations

Termination means any separate part which satisfies one of the following conditions and which has been disposed of or classified as being held for sale:

a) The component represents a separate principal business or a separate principal area of operation;

b) The component is part of an associated plan to dispose of a separate principal business or a separate principal operating area;

c) The component is a subsidiary acquired specifically for resale.

14. Long-term equity investment

(1) Recognition of the initial investment costs of long-term equity investments

a) For long-term equity investments from business combinations, the initial investment cost shall be recognized in accordance with the provisions mentioned in Notes 3(5). Accounting Method for Long-term Equity Investment from Business Combinations under Common Control and Business Combination not under Common Control.

b) Except for the long-term equity investments arising from business combinations, those obtained by other means shall recognize their initial investment costs in accordance with the following provisions:

i. For the long-term equity investments obtained by cash paid, the Company recognizes the actual purchase price as the initial investment costs. The initial investment costs include directly related expense, taxes and other necessary expenses of obtaining long-term equity investments.

ii. For the long-term equity investments acquired by the issue of equity securities (equity instrument), the initial investment cost shall be the fair value of the equity securities (equity instrument) issued. If the fair value of the long-term equity investment obtained is more reliable than equity securities issued, the initial investment cost shall be the fair value of the long-term equity investment made by the investors. The cost directly attributable to the issue of equity securities (equity instrument), including fees, commissions, etc., write-downs premium price of the issue, if premium price of the issue is insufficient, write- downs surplus reserve and undistributed profit in turn. For the long-term equity investments acquired by the issue of debt securities (debt instrument), reference through the issuance of equity securities (equity instrument).

iii. For long-term equity investments obtained by debt restructuring, the Company recognizes the fair value of shares of debt-for-equity swap as the initial investment costs.

iv. For long-term equity investments obtained by non-monetary assets exchange, under the condition that an exchange of non-monetary assets is of commerce nature and the fair value of assets exchanged can be reliably measured, non- monetary assets traded in is initially stated at the fair value of the assets traded out, unless there is conclusive evidence indicating that the fair value of the assets traded in is more reliable; if the above conditions are not satisfied, initial investment costs of long-term equity investments traded in shall be recognized at the book value of the assets traded out and the relevant taxes and surcharges payable.

Expenses, taxes and other necessary expenses incurred to the Company and that are directly related to the obtainment of long-term equity investments shall be recognized as the initial investment costs of long-term equity investments.

For long-term equity investments obtained by the Company by any means, cash dividends or profits declared but not yet distributed in the actual payments or the consideration actually paid for the investment shall be separately accounted as dividends receivable and shall not constitute the costs of long- term equity investments.

(2) Subsequent measurement and recognition of gains and losses of long-term equity investments

a) Long-term equity investment measured under cost method

i. If accompany can control an investee, namely investment in subsidiary, the long-term equity investment shall be measured under the cost method.

ii. For long-term equity investments accounted at the cost method, except cash dividends or profits declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash dividends or profits declared by the investee shall be recognized as the investment income irrespective of net profits realized by the investee before investment or after investment.

b) Long-term equity investments measured under the equity method

i. For the long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting.

ii. For long-term equity investments measured at the equity method, if the initial investment costs are higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs of the long-term equity investments; if the initial investment costs are lower than the investor'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 costs of the long-term equity investments.

iii. After obtaining the long-term equity investments, the Company shall, according to the shares of net profits and other comprehensive income realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profits and losses and other comprehensive income of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profits and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and the book value thereof or other reasons, the profits or losses on the investments shall be directly calculated and recognized based on the net book profits and losses of the investee. The Company shall calculate the part distributed from cash dividends or profits declared by the investee and correspondingly reduce the book value of the long-term equity investments.

When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee fall into the scope of losses on assets impairment, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments thereafter shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long- term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book value of long-term equity which form net investment in the investee in other substances and the book value of long-term receivables shall be written off; after all the above treatments, if the Company still assumes additional obligation according to investment contracts or agreements, the obligation expected to be assumed should be recognized as provision and included into the investment loss in the current period. If the investee is profitable in subsequent accounting periods, the Company shall treat the loss in reverse order against that described above after deducting unrecognized share of loss: i.e. write down the book value of the recognized provision, then restore the book value of long-term interests which substantially form net investments in the investee, then restore the book value of long-term investments, and recognize investment income at the same time.

(3) Basis for judgment of common control or significant influence over the investee

a) Basis for judgment of common control over investee

Common control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities of an arrangement usually include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities and financing activities. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is a joint operation, but not a joint venture.

b) Basis for judgment of significant influence over investee

The term "significant influence" refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies. Where the Company is able to exert significant influence over the investee, the investee is its associate.

15. Fixed assets

(1) Recognition of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

a) It is probable that the economic benefits relating to the fixed assets will flow into the Company;

b) The cost of the fixed assets can be measured reliably.

(2) Depreciation of fixed assets

a) All fixed assets shall be depreciated unless the fixed assets had been fully depreciated and are still being used and land is separately measured.

b) A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation rate and depreciation amount is calculated according to the category, estimated useful life and estimated residual value rate, and then included into the cost of related assets or the current profit and loss according to the applications.

c) Categories, estimated useful life, net residual value rate, depreciation rate and annual depreciation rate as follows:

Categories	**Depreciation period**	**Residual value rate**	**Annual depreciation rate**
		(%)	*(%)*
Buildings and Constructions	10—35	5	2.71-9.50
Machines and equipment	8—15	5	6.33-11.88
Transportation equipment.	5—8	5	11.88-19.00
Electronic equipment and others.	3—8	5	11.88-31.67

The company should recalculate the depreciation rate and depreciation amount according to book value, estimates net residual value and usable useful life for the fixed assets which have provisions for the impairment.

The company should review the estimated useful life, estimated net residual value and depreciation method at the end of each year. If any change has occurred, it shall be regarded as a change in the accounting estimate.

Decoration expenditures related to fixed assets that meet the conditions for recognition of fixed assets are included in the cost of fixed assets. It is depreciated by using straight-line method In the shorter of the two decoration periods and the useful life of fixed assets.

16. Construction in progress

(1) Categories of constructions in progress

Constructions in progress are accounted on individual project basis.

(2) Criteria and commencement of conversion of constructions in progress into fixed assets

The book entry values of the fixed assets are stated at total expenditures incurred before construction in progress reaches the working condition for their intended use. For self-operating projects, total expenditures are measured according to the expenditures of direct materials, direct labor, direct measurement mechanical construction costs and other expenditures; for contracting projects, total expenditures are measured according to project costs payable and other expenditures. Borrowing costs incurred before the projects that are undertaking with borrowing costs reach working condition for their intended use and meeting the condition for capitalization shall be capitalized and included into the costs of construction in progress.

For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working condition for intended use and the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

17. Borrowing cost

(1) Scope of borrowing costs

The Company's borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred from foreign currency loan, etc.

(2) Recognition principles of capitalization of borrowing costs

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

Assets eligible for capitalization include fixed assets, investment properties, inventories and other assets which may reach the working condition for their intended use or sale by acquisition and construction or production activities for quite long time.

(3) Recognition of capitalization period of borrowing costs

a) Recognition of commencement of capitalization of borrowing costs

Borrowing costs may be capitalized when asset disbursements have already been incurred, borrowing costs have already been incurred and the acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started. Among which, asset disbursements 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.

b) Recognition of period of capitalization suspension of borrowing costs

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are charged to profit or loss for the current period, and the capitalization of borrowing costs continues when the acquisition and construction or production activities of the asset resume. If the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue.

c) Recognition of period of capitalization cessation of borrowing costs

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Borrowing costs incurred after the assets eligible for capitalization have reached the working condition for their intended use or sale should be recognized as the current profit and loss when they incur.

If all parts of the acquired and constructed or produced assets are completed, each part may be used or sold externally in the process of continuous construction of other parts and the necessary acquisition or production activities have been substantially completed to make the part of assets reach the working condition for their intended use or sale, the capitalization of borrowing costs related to the part of assets should be ceased; if all parts of the acquired and constructed or produced assets are completed but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should cease at the time of overall completion of the said assets.

(4) Recognition of capitalized amounts of borrowing costs

a) Recognition of capitalized amounts of interest on borrowing costs

During the period of capitalization, capitalized amount of the interest of each accounting period (including amortization of discounts or premiums) shall be recognized according to the following provisions:

i. As for special loan borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special loan actually incurred in the current period less the interest income of the loans unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.

ii. As for general loans used for acquiring and constructing or producing assets eligible for capitalization, the interest of general loans to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special loans by the capitalization rate of used general loans. The capitalization rate is calculated by weighted average interest rate of general loans.

iii. Where there are discounts or premiums on loans, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method.

iv. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant loans.

b) Recognition of capitalized amounts of auxiliary expenses of loans

i. Auxiliary expenses incurred from special loans before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.

ii. Auxiliary expenses incurred from general loans shall be recognized as costs according to the amounts incurred when they occur and included in the current profit and loss.

c) Recognition of capitalized amount of exchange differences

During the period of capitalization, exchange differences incurred from the principal and interest of special foreign currency loans should be capitalized and included in the costs of the assets eligible for capitalization.

18. Intangible assets

(1) Measurement, useful life and impairment test

a) Initial measurement of intangible assets

i. Initial measurement of outsourcing intangible assets

Costs of outsourcing intangible assets shall be recognized according to the purchase price, related taxes and other expenses directly attributed to reaching the working condition for their intended use. The cost of intangible assets shall be recognized based on present value of purchase price when deferred payment over normal credit conditions with financial nature. The difference between actual payment and purchase price, expect for capitalized amount, shall be included into the current profit and loss in the period of credit.

ii. Initial measurement of internally researched and developed intangible assets

Costs of internally researched and developed intangible assets shall be recognized according to the total expenses during the period after the assets are eligible for capitalization and before they reach the intended purpose and the expenses that have been included in the previous periods shall no longer be adjusted.

Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; those on the development phase ineligible for capitalization shall be included in the current profit and loss; those eligible for capitalization shall be recognized as intangible assets. If it is unable to distinguish expenditure on the research phase and expenditure on development phase, the research and development expenditures shall be all included in the current profit and loss.

b) Subsequent measurement of intangible assets

The useful lives of intangible assets are analyzed on acquisition. Intangible assets obtained by the Company are divided into intangible assets with limited useful lives and intangible assets with indefinite useful lives.

i. Subsequent measurement of intangible assets with limited useful lives

The intangible assets with limited useful lives are amortized on a straight-line basis when they reach intended use over their useful lives with no residual value reserved. Amortizations of intangible assets are usually recorded into the current profit and loss; where the economic benefits of an intangible asset are realized by the products or other assets produced thereafter, the amortizations are recorded into the costs of the relevant assets.

Category, estimated useful life, estimated net residual value rate and annual amortization rate of intangible assets are shown below:

Category of intangible assets	Estimated useful life (years)	Estimated net residual value rate	Annual amortization rate
		(%)	*(%)*
Land use right	50	0	2.00
Trademark	10	0	10.00
Computer software	2—10	0	10.00-50.00

The useful lives and amortization methods of intangible assets with limited useful lives on the balance sheet date shall be reviewed.

ii. Subsequent measurement of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized in the holding period, but impairment tests are performed at the end of each year.

c) Estimates of useful lives of intangible assets

i. For intangible assets from any contractual right or other statutory rights, their useful lives shall be recognized according to the period no more than that of the contractual or other statutory rights; when the contractual right or other statutory rights contract is extended due to renewal of contracts and there is evidence that the renewal of the Company does not need large costs, the renewal period shall be included into the useful lives.

ii. Where the contract or the law fails to specify the useful lives, the Company integrates situations in all aspects and determine the period of intangible assets that can bring economic benefits for the Company by hiring the relevant experts to demonstrate or comparing with the situation of the industry as well as referring to the Company's historical experience or otherwise.

iii. If it is still unable to reasonably determine that intangible assets may bring economic benefits for the Company according to the above methods, the intangible assets are taken as intangible assets with indefinite useful lives.

(2) Accounting policies of internal research and development expenditure

According to the actual situation of the research and development, the Company classifies the research and development project into that on the research phase and that on the development phase.

a) Research stage

Research stage is the stage when creative and planned investigations and research activities are conducted to acquire and understand new scientific or technological knowledge.

b) Development stage

Development stage is the stage when the research achievements or other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Expenditure of an internal research and development project on the research phase shall be included in current profit and loss when it occurs.

<u>Specific criteria for qualifying expenditure on the development phase for capitalization</u>

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

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

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

iii. The usefulness of intangible assets 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 assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;

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

v. The expenditure attributable to the intangible asset during its development phase can be measured reliably.

(3) Land use right

a) The land use right obtained by the company is usually recognized as intangible assets, but if the purpose of the land use right is changed to earn rent or capital appreciation, it will be converted into investment property.

b) The company develops and constructs plants and other buildings by itself, and the relevant land use rights and buildings are treated separately.

c) Payments for the purchased land and buildings shall be distributed between the buildings and the land use right; If it is difficult to allocate reasonably, all of them shall be regarded as fixed assets.

19. Long-term Assets Impairment

If there are impairment indicators of long-term equity investment, investment property measured at cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with indefinite useful lives and other long-term assets at balance sheet date, impairment test should be performed. If the result of impairment test shows that recoverable amount is less than its book value, the difference should be provided for impairment and recorded into impairment loss. The recoverable amount is the higher of fair values less costs of disposal and the present values of the future cash flows expected to be derived from the asset. Provision for impairment is calculated and recognized on the basis of individual asset. If recoverable amount of individual asset is difficult to be estimated, the Company should recognize the recoverable amount of the asset group which the individual asset belongs to. Asset group is the minimum asset group which can generate cash inflow separately.

The Company should perform impairment test for goodwill and intangible assets with indefinite life at least at each year end, no matter whether there is impairment indicator.

When the Company performs impairment test, book value of goodwill arising from business combination should be amortized to relevant asset group using the reasonable method from the date of purchase. If it is difficult to amortize it to relevant asset group, amortize it to relevant asset group portfolio. Apportion book value of goodwill to relevant asset group or asset group portfolio according to the proportion of fair value of asset group or asset group portfolio accounting for total amount of relevant asset group or asset group portfolio. If fair value is difficult to be measured reliably, amortize according to the proportion of book value of asset group or asset group portfolio accounting for total amount of relevant asset group or asset group portfolio. When perform impairment test for asset group or asset group portfolio including goodwill, if there is impairment indicator of asset group or asset group portfolio relevant to goodwill, perform impairment test for asset group or asset group portfolio without goodwill firstly, calculate its recoverable amount, compare with relevant book value and recognize impairment loss. Then perform impairment test for asset group or asset group portfolio including goodwill, compare book value of the asset group or asset group portfolio (including proportional book value of goodwill) and its recoverable amount, if recoverable amount of relevant asset group or asset group portfolio is less than its book value, recognize impairment loss of goodwill.

Once impairment loss stated above is recognized, reversal is not allowed in the subsequent accounting periods.

20. Long-term Deferred Expenses

(1) Scope of long-term deferred expenses

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

(2) Initial measurement of long-term deferred expenses

Long-term deferred expenses shall be initially measured according to the actual costs incurred.

(3) Amortization of long-term deferred expenses

Long-term deferred expenses are amortized using the straight-line method over the beneficial period.

21. Contract liability

Contract liabilities refer to the obligation of a company to transfer commodities to customers for consideration received or receivable from customers. If the customer has paid the contract consideration or the company has obtained an unconditional right to receive the goods prior to the company's transfer of the goods to the customer, the company will show the amount received or receivable as a contractual liability in which earlier the customer actually pays the amount or the amount becomes due. The contract assets and contract liabilities under the same contract shall be shown on a net basis, and the contract assets and contract liabilities under different contracts shall not be set off.

22. Employee Compensation

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

(1) Accounting treatment of short-term benefits

Short-term benefits are the benefits that the Company expect to pay in full within 12 months after the reporting period in which the employee provided relevant services, excluding the compensation for employment termination.

Short-term benefits include: wage, bonus, allowance and subsidy; employee welfare, social securities including health insurance and work injury insurance; housing common reserve fund; union expenditure and employee training expenditure; short-term paid leave; short-term profit-sharing; non-monetary welfare and other short-term benefits.

Actual short term benefits will be recognized as liability during the accounting period in which the employee is providing the relevant service to the Company. The liability will be included in the current profits and losses or the cost relevant assets.

(2) Accounting treatment of post-employment benefits

The defined contribution plan of the Company include payments of basic pension, unemployment insurance, annuity, etc. that accord to relevant provisions. The amount which the Company deposit on balance sheet date in exchange for the service of the employee during the accounting period will be recognized as employee benefits liability and shall be included into the profit or loss for the current period.

(3) Accounting treatment of termination benefits

Termination benefits are the benefits the Company provide to the employee when the Company terminates the employment before labor contract expires or encourages voluntary resignation. Employee benefits liabilities shall be recognized and included into profit or loss for the current period on the earlier date of the two following circumstances:

a) When the Company is not able to withdraw the benefits from termination of employment or resignation persuasion unilaterally;

b) When the Company recognizes costs and fees relevant to reforming the termination benefits payment.

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

Other long-term employee benefits are all employee benefits other than short-term benefits, post-employment benefits and termination benefits. At the end of reporting period, the company will recognize the employee benefits cost from other long-term employee benefits as the following components:

a) Service cost;

b) Net amount of interest from other long-term employee benefits net liabilities or assets;

c) Changes from recalculation of the net liabilities or assets from other long-term employee benefits.

In order to simplify related accounting procedure, the net amount of the above subjects shall be included into current profit or loss or the cost of relevant assets.

23. Provision

(1) Recognition principles of provision

When obligations related to external guarantees, pending actions or arbitration, product quality assurance, onerous contracts, reorganization and contingencies satisfy the following three conditions, they shall be recognized as provision:

a) This obligation is a present obligation of the Company;

b) The settlement of such obligation is likely to result in outflow of economic benefits from the Company; and

c) The amount of the obligation can be measured reliably.

(2) Measurement method of provision

The amount of provision is measured at the best estimate of expenses required for contingencies.

a) If there is continuous range for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate shall be determined at the median of the range.

b) The best estimate shall be accounted as follows in other cases:

i. If the contingency involves a single item, the best estimate shall be determined at the most likely outcome.

ii. If the contingency involves two or more items, the best estimate should be determined according to all the possible outcomes with their relevant probabilities.

24. Share-based Payment

Share-based payment is classified as equity-settled share-based payment and cash- settled share-based payment.

(1) Accounting treatment on the date of granting

The Company does not make any accounting treatment on the date of granting, neither for equity-settled share-based payment nor for cash-settled share-based payment, except that the right of the share-based payment can be exercised immediately.

(2) Accounting treatment on each balance sheet date within vesting period

On each balance sheet date within vesting period, the Company records the service provided by employees or other party as cost and expense, and recognizes equity or liability at the same time.

For the share-based payment attached with market conditions, once employees satisfy all conditions except market conditions, the service acquired can be recognized. If the performance condition is not market condition, the estimate for previous periods can be revised when the vesting period is determined and subsequent information shows that the estimate for conditions of exercising rights requires adjustments.

For equity-settled share-based payment related with employees, charge the service into costs, expenses and capital reserve (other capital reserve), using the fair value of the equity instrument on the date of granting. The subsequent changes of fair value should not be recognized. For cash-settled share-based payment related with employees, recalculate fair value of the equity instrument at each balance sheet date and recognize related costs, expenses and employee benefit payable.

At each balance sheet date within vesting period, the Company makes the best estimate and revises the number of equity instrument that can be exercised according to the latest subsequent information such as change of number of employees who can exercise rights.

Use fair value and the number of equity instrument stated above to calculate cumulative amount of costs and expenses that should be recognized by this period and then deduct the cumulative amount already recognized in the previous period. The balance is the amount of cost and expense that should be recognized in the current period.

(3) Accounting treatment after the date when rights can be exercised

For equity-settled share-based payment, after the date when rights can be exercised, no adjustment shall be made to the total amount of the cost expense and equity already recognized. The Company recognizes share capital and capital premium, and carry forward the capital reserve (other capital reserve) recognized within vesting period at the he date when rights can be exercised.

For cash-settled share-based payment, the Company shall not recognize costs and expenses. The change of fair value of liability (employee benefit payable) should be recorded into current profit or loss (profit or loss arising from fair value changes) after the date when rights can be exercised.

(4) Accounting treatment for repurchasing shares regarding employee option incentive

When the Company encourages employees in the form of repurchasing shares, total expenditure of repurchasing shares is regarded as treasury stock and registered for check. At each balance sheet date within vesting period, charge the employee service acquired into costs and expenses, and meanwhile increase capital reserve (other capital reserve), using fair value of the equity instrument at the date of granting. When the employee exercises the right to buy the Company's shares and receives the amount, write off the cost of treasury stock delivered to the employee and the cumulative amount of capital reserve (other capital reserve) recognized within the vesting period, meanwhile the balance adjusting capital reserve (share capital premium).

25. Revenue

(1) Principle and measurement method of revenue recognition

a) Revenue recognition

The Company has fulfilled its contractual performance obligation to recognize revenue when the customer acquires control of the relevant goods. On the beginning date of the contract, the Company evaluates the contract, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point. Then, the Company recognizes the revenue when the individual performance obligations are fulfilled.

b) Revenue measurement

If the contract contains two or more performance obligations, the Company shall, on the commencement date of the contract, apportion the transaction price to each single performance obligation according to the relative proportion of the separate selling price of the commodity or service committed by each single performance obligation, and measure the revenue according to the transaction price apportioned to each single performance obligation. In determining the transaction price, the Company will take into account the impact of variable consideration, material financing elements existing in the contract, non-cash consideration and customer consideration payable, and it is assumed that the goods will be transferred to the customer in accordance with the provisions of the existing contract and that the contract will not be canceled, renewed or changed.

(2) Specific revenue recognition policies

a) Sales contract

i. Domestic sales: Since the control of commodity sales is transferred to the customer when the company sends the commodity and the customer accepts it, the company recognizes the sales revenue after sending the commodity and the customer accepts it.

ii. Overseas sales: When the company sells abroad, the sales revenue is recognized after the goods are delivered, the export customs declaration formalities are completed and the customs declaration documents are obtained.

b) Service contract: After the corresponding service contents are completed according to the terms of the technical service contract and confirmed by the customer, the revenue is recognized when the price is received or the evidence of receiving the price is obtained.

26. Contract cost

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.

27. Government grants

(1) Types of government grants

Government grants are monetary assets and non-monetary assets acquired free of charge by the Company from the government, including government grants related to assets and government grants related to income.

Government grants related to assets are government grants that are acquired by the Company and used for forming long-term assets through purchasing and constructing or other ways.

Government grants related to income are government grants other than government grants related to assets.

(2) Recognition principles of government grants

Government grants are recognized when both of the following conditions are met:

a) The Company can meet the attached conditions for the government grants;

b) The Company can receive the grants.

(3) Measurement of government grants

a) If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount.

b) If a government grant is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount (a nominal amount is CNY 1).

(4) Accounting treatment method of government grants

a) The government grants related to assets shall be set off of the book value of the related assets or recognized as deferred income at the actual entry amount on acquisition. Government grants recognized as deferred income shall be allocated evenly over the useful lives of the relevant assets, and included in the current profit or loss. Government grants measured at the nominal amount shall be directly included in current profit and loss.

b) Government grants related to income shall be separately handled according to the following circumstances:

i. If government grants related to income are used to compensate the Company's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be included into the current profit and loss or written off of the related costs when the relevant expenses, losses are recognized.

ii. If government grants related to income are used to compensate the Company's relevant expenses or losses incurred, such government grants are directly included into the current profit and loss on acquisition or written off of the related costs.

c) Government grants related to assets and related to income are received together, shall be treated separately. If it is hard to separate, government grants shall be treated as related to income as a whole.

d) Government grants related to daily operation shall be recoded in other income or written off relevant expenses, costs. Government grants unrelated to daily operation shall be recorded in non-operating income. Financial subsidy funds directly allocated to the company shall be offset the relevant borrowing costs.

e) Government grants already recognized required to be refunded shall be handled according to the following circumstances:

i. If the grants have written down the book value of assets, the book value shall be adjusted.

ii. If there is related deferred income, the book value of relevant deferred income is written down and the exceeding part is recorded in the current profit and loss.

iii. If there is no related deferred income, the exceeding part is directly included in the current profit and loss.

28. Deferred Tax Assets/Deferred Tax Liabilities

The Company adopts the balance sheet liability method to account for income tax.

(1) Recognition of deferred tax assets or deferred tax liabilities

a) The Company recognizes its tax base on acquisition of assets and liabilities. On the balance sheet date, the Company analyzes and compares the book value of the assets and liabilities and the tax base. If there are temporary differences in book value of the assets and liabilities and the tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Company shall respectively recognize taxable temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.

b) Recognition basis of deferred tax assets

i. Deferred tax assets incurred from deductible temporary differences are recognized to the extent that they shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. In determining the taxable income probably obtained in future periods, including the taxable income from normal production and operation activities in future periods and the increase of taxable income due to the reversal of taxable temporary differences during the period of reversal of deductible temporary differences.

ii. For deductible losses and tax credits that can be carried forward to the next years, the Company is likely to recognize the corresponding deferred tax assets to the extent that the assets shall not exceed the taxable income in the future for deducting deductible losses and tax credits and that are probably obtained by the Company.

iii. On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is probably unable to obtain sufficient taxable income in the future period to offset the benefits of the deferred tax assets, the Company shall write down the book value of the deferred tax assets; when it is probable to obtain sufficient taxable income, the write-downs shall be reversed.

c) Recognition basis of deferred tax liabilities

The Company recognizes the current and previous taxable temporary differences payable but unpaid as deferred tax liabilities. But they exclude temporary differences arising from goodwill; transactions which are formed other than from business combinations and neither affect the accounting profits nor affect taxable income at the time of occurrence.

(2) Measurement of deferred tax assets or deferred tax liabilities

a) On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.

b) Where the applicable tax rate changes, the Company remeasures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.

c) When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.

d) Deferred tax assets and deferred tax liabilities of the Company shall not be discounted.

29. Lease

(1) Accounting treatment for operating lease

According to the nature of the assets, the company will include the assets used as operating lease in the relevant items of the balance sheet. The Company shall add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income. Lease payment received shall be recognized as lease income on a straight-line basis within the period. The depreciation policy for depreciable underlying fixed assets subject to operating leases shall be consistent with the lessor' s normal depreciation policy for similar assets. Amortization for other underlying assets subject to operating lease shall be on reasonable systematic basis. The variable lease payments obtained by the company related to operating leases, which are not included in the lease payment received, shall be included in the current profit and loss when actually incurred.

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(2) Accounting treatment for finance lease

At the commencement date of the lease term, the Company recognizes the finance lease receivable at the net value of lease investment (the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the commencement date of the lease term that are discounted at the interest rate in the lease) and derecognizes the finance lease asset. Over the term of the relevant lease, the Company calculates and recognizes interest income based on the interest rate in the lease.

The company shall account for a finance lease modification as a separate lease if both condition are satisfied:

① the modification increases the scope of the lease by adding the right to use one or more underlying assets or extending the contractual lease term.

② the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope or the contractual lease term extension and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

30. Right-of-use assets

(1) Recognition of right-of-use assets

A right of use asset is the right of the Company as the lessee to use the leased asset within the lease term.

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

(2) Depreciation of the right-of-use assets

Straight line method is used for depreciation based on the expected way of consuming of economic benefit related to the right-of-use. If the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation shall be calculated and deducted during the remaining service life of the leased asset; Where it is not certain that the ownership of the leased asset can be acquired at the end of the lease term, depreciation shall be calculated during the period of the shorter of the lease term and the remaining service life of the leased asset.

(3) The impairment test and impairment is regarding to Note 3-19

31. Other significant accounting policies and estimates

(1) Share repurchase

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 undistributed profit 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 undistributed profit in turn.

(2) Restricted stock

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 estimates

(1) Changes in significant accounting policies

Since January 1st 2021 (the "First Adoption Date"), the Company has implemented the Accounting Standards for Business Enterprises No. 21—Leases revised by the Ministry of Finance in December, 2018 (hereinafter referred to as the "New Lease Standards," and the Lease Standards before the revision referred to as the "Original Lease Standards").

(2) Changes in significant accounting estimates

There is no changes in accounting estimates during the reporting period.

(3) The first implementation of new leasing standards will be adjusted to implement the items related to financial statements at the beginning of the year

The relevant items in the consolidated balance sheet

Item	December 31st 2020	January 1st 2021	Adjustments
Right-of-use assets		11,015,846.35	11,015,846.35
Non-current liabilities due within one year		3,018,554.57	3,018,554.57
Lease liabilities		7,997,291.78	7,997,291.78

Note: There is no effect on the financial statements at the beginning period of parent company by the first implementation of new leasing standards.

IV. Taxation

1. Major Categories of Taxes and Tax Rates

Category of tax	Basis of tax computation	Tax rate
VAT	Output tax-deductible input tax	13%, 6%
City maintenance and construction tax	Actual payable turnover tax	7%, 5%
Education surcharges	Actual payable turnover tax	3%
Local education surcharges	Actual payable turnover tax	2%
Real estate tax	Cost of own property or revenue from leasing property	1.2%, 12%
Corporate income tax	Taxable income	15%, 25%/overseas subsidiaries are applicable to corresponding local tax rate

Disclosure of taxpayers with different rates of corporate income tax

Taxpayer	Rate of enterprise income tax	Note
The Company	25%	—
Jiangsu Dongyuan Electrical Group Co., Ltd	15%	See tax incentives
Suzhou Tianli	25%	—
Nantong Asitong Electric Appliance Manufacturing Co., Ltd	25%	—
Nantong Gotion New Energy Co., Ltd	15%	See tax incentives
Hefei Gotion High-tech Power Energy Co., Ltd	15%	See tax incentives
Nanjing Gotion Battery Co., Ltd	15%	See tax incentives
Nanjing Gotion New Energy Co., Ltd.	25%	—

Taxpayer	Rate of enterprise income tax	Note
Anhui Gotion New Energy Vehicle Technology Co., Ltd	25%	—
Shanghai Xuanyi New Energy Development Co., Ltd	25%	—
Hefei Gotion Battery Material Co., Ltd	15%	See tax incentives
Shanghai Gotion New Energy Co., Ltd	25%	—
Shanghai Gotion New Energy (Hefei) Energy Storage Technology Co., Ltd	25%	—
Qingdao Gotion Battery Co., Ltd	15%	See tax incentives
Tangshan Gotion Battery Co., Ltd	15%	See tax incentives
Gotion New Energy (Lujiang) Co., Ltd.	25%	—
Hefei Gotion Precision Coating Material Co., Ltd	25%	—
Hefei Gotion Battery Co., Ltd	15%	See tax incentives
Hefei Jiachi Technology Co., Ltd	25%	—
Liuzhou Gotion Battery Co., Ltd	25%	—
Gotion High-tech (USA) Co., Ltd.	Special business tax	$800 per year
Gotion High-tech Japan Co., Ltd	Applicable local laws	—
Singapore Gotion Co., Ltd	Applicable local laws	—
Jiangsu Gotion New Energy Technology Co., Ltd	25%	
Feidong Gotion Battery Material Co., Ltd.	25%	
Hefei Gotion Recycling Technology Co., Ltd	25%	
Hefei Gotion New Material Technology Co., Ltd	25%	
Neimenggu Gotion Zero Carbon Technology Co., Ltd	25%	
Jiangxi Gotion New Energy Co., Ltd	25%	
Yichun Gotion Battery Co., Ltd	25%	
Yichun Gotion Lithium Industry Co., Ltd	25%	
Fengxin Gotion Lithium Industry Co., Ltd	25%	
Yifeng Gotion Lithium Industry Co., Ltd	25%	
Tongcheng Gotion New Energy Co., Ltd	25%	
Yichun Gotion Mining Co., Ltd	25%	
Anhui Fumo New Material Technology Co., Ltd	25%	
Beijing Xuanyi Gotion New Energy Co., Ltd	25%	
Hefei Gotion Battery Technology Co., Ltd	25%	
Hefei Gotion Kehong New Energy Technology Co., Ltd	25%	
Tianjin Hengtian New Energy Vehicle Research Institute Co., Ltd	25%	
Nanjing Gotion Battery Research Institute Co., Ltd		Not operating
Guoxuan High-tech (HK) Limited		Not operating

2. *Tax incentives*

(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 3, 2021, 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 GR202132002831, valid for three years. Since January 1, 2021, 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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 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	198,023.52	214,929.76
Bank deposit	9,656,493,565.43	2,448,890,813.27
Other cash and cash equivalents	1,728,359,492.52	894,421,520.76
Total	11,385,051,081.47	3,343,527,263.79
Including: deposited in overseas banks	83,152,147.67	128,400,052.64

Note: As at the end of 2021, there is RMB219,662,040.00 restricted to use, RMB279,639.25 frozen by judicial organ and RMB80,000.00 for ETC guarantee deposit among the RMB9,656,493,565.43 of deposit in bank; among the RMB1,728,359,492.52 of other cash and cash equivalents, RMB1,651,115,443.21 is the security fund deposited by the Company for issuing bank acceptance bills, RMB22,781,949.09 is the security fund for factoring business, the RMB9,543,905.05 is the security fund for letter of guarantee, RMB42,484,865.63 is the security fund for letter of credit, RMB. 2,433,329.54 is securities account funds.

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 asset at fair value through profit and loss	53,385,792.58	411,114,371.81
Including:		
Structured deposit	30,578,783.33	410,414,840.18
Treasury product		699,531.63
Equity instrument	22,807,009.25	
Total	53,385,792.58	411,114,371.81

Note: RMB30,578,783.33 of the structured deposit is pledged to issue the Bank acceptance bill in the current period.

3. *Notes receivable*

(1) Classification of notes receivables

Item	Closing Balance	Opening Balance
Commercial Acceptance Bill	164,024,116.21	426,640,727.37

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

(3) Notes receivable of the Company that have been endorsed or discounted and are not yet due 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
Commercial Acceptance Bill		96,138,802.81

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

Item	Amounts transferred into accounts receivable as of December 31st 2021
Commercial Acceptance Bill	94,414,753.70

(5) Presentation of notes receivable by provisions

	Closing balance				
	Carrying amount		Credit loss provision		
Category	Amount	Proportion	Amount	Proportion	Book value
		(%)		*(%)*	
Provision for credit loss on a single basis					
Provision for credit loss by portfolios	177,347,732.34	100.00	13,323,616.13	7.51	164,024,116.21
Including: Commercial Acceptance Bill	177,347,732.34	100.00	13,323,616.13	7.51	164,024,116.21
Bank Acceptance Bill					
Total	177,347,732.34	100.00	13,323,616.13	7.51	164,024,116.21

	Opening balance				
	Carrying amount		Credit loss provision		
Category	Amount	Proportion	Amount	Proportion	Book value
		(%)		*(%)*	
Provision for credit loss on a single basis					
Provision for credit loss by portfolios	481,111,405.96	100.00	54,470,678.59	11.32	426,640,727.37
Including: Commercial Acceptance Bill	481,111,405.96	100.00	54,470,678.59	11.32	426,640,727.37
Bank Acceptance Bill					
Total	481,111,405.96	100.00	54,470,678.59	11.32	426,640,727.37

Provision for credit loss by portfolios:

Unit: RMB

Item	Closing balance		
	Carrying amount	Credit loss provision	Proportion
			(%)
Commercial Acceptance Bill	177,347,732.34	13,323,616.13	7.51

(6) Provision for credit loss by portfolios for notes receivable

Unit: RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Other	
Provision for notes receivables	54,470,678.59		41,147,062.46			13,323,616.13

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

4. Accounts receivable

(1) Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	4,703,609,953.28	4,300,178,189.51
1~2 year	1,728,864,145.19	1,754,660,138.00
2~3 year	575,665,074.53	1,203,724,856.99
3~4 year	736,943,130.35	294,530,586.33
4~5 year	289,307,694.20	12,809,134.57
Over 5 years	62,186,546.09	57,213,002.42
Subtotal	8,096,576,543.64	7,623,115,907.82
Less: Credit loss provision	1,377,201,039.82	1,035,764,509.26
Total	6,719,375,503.82	6,587,351,398.56

(2) Disclosure by credit loss provision by methods

Category	Closing balance				
	Carrying amount		Credit loss provision		
	Amount	Proportion	Amount	Proportion	Book value
		(%)		(%)	
Provision for credit loss on a single basis	602,830,130.07	7.45	355,396,357.56	58.95	247,433,772.51
Provision for credit loss by portfolios	7,493,746,413.57	92.55	1,021,804,682.26	13.64	6,471,941,731.31
Including: portfolio1	7,493,746,413.57	92.55	1,021,804,682.26	13.64	6,471,941,731.31
Portfolio2					
Total	8,096,576,543.64	100.00	1,377,201,039.82	17.12	6,719,375,503.82

Category	Opening balance				
	Carrying amount		Credit loss provision		
	Amount	Proportion	Amount	Proportion	Book value
		(%)		(%)	
Provision for credit loss on a single basis	603,711,399.13	7.92	212,336,397.38	35.17	391,375,001.75
Provision for credit loss by portfolios	7,019,404,508.69	92.08	823,428,111.88	11.73	6,195,976,396.81
Including: portfolio1	7,019,404,508.69	92.08	823,428,111.88	11.73	6,195,976,396.81
Portfolio2					
Total	7,623,115,907.82	100.00	1,035,764,509.26	13.59	6,587,351,398.56

Provision for credit loss on a single basis:

Accounts receivable (customer)	Closing balance			
	Carrying amount	Credit loss provision	Proportion	Reason
			(%)	
Hubei Xinchufeng Automobile Co., Ltd	390,820,513.40	195,410,256.70	50.00	Expected to be non-recoverable
Jiangxi Youte Automobile Technology Co., Ltd	61,881,050.52	43,316,735.36	70.00	Expected part to be non-recoverable
Hunan Jiangnan Automobile Manufacturing Co., Ltd. Chongqing Branch	40,959,880.59	28,868,544.20	70.48	Expected part to be non-recoverable
Hefei Hanxing Energy Storage Technology Co., Ltd	37,566,903.72	18,783,451.86	50.00	Expected part to be non-recoverable
Zhidou Electric Vehicle Co., Ltd	32,206,070.59	32,206,070.59	100.00	Expected to be non-recoverable
Chongqing Zhongtai Automobile Industry Co., Ltd	8,474,874.46	8,474,874.46	100.00	Expected to be non-recoverable
Hunan Cheetah Automobile Co., Ltd	7,358,720.28	7,358,720.28	100.00	Expected to be non-recoverable
Zhaoqing Aoyou Power Battery Co., Ltd	4,083,592.70	2,858,514.89	70.00	Expected part to be non-recoverable
Anhui Jia'an Automobile Co., Ltd	3,787,440.00	3,787,440.00	100.00	Expected to be non-recoverable
Jiangsu Youyi Automobile Co., Ltd	3,777,640.00	3,777,640.00	100.00	Expected to be non-recoverable
Yangzi River Automobile Group Co., Ltd	3,544,356.00	3,544,356.00	100.00	Expected to be non-recoverable
Borui Electric Co., Ltd	1,934,183.81	1,353,928.67	70.00	Expected part to be non-recoverable
Suzhou Kangsheng Wind Power Co., Ltd	1,412,420.00	1,361,902.70	96.42	Expected part to be non-recoverable

Accounts receivable (customer)	Closing balance			
	Carrying amount	Credit loss provision	Proportion	Reason
			(%)	
Jiangsu Sinuo complete equipment Engineering Co., Ltd. of people's Electric Appliance Group	1,070,000.00	749,000.00	70.00	Expected part to be non-recoverable
Xi'an Guangda Electric Furnace Co., Ltd	710,000.00	710,000.00	100.00	Expected to be non-recoverable
Beijing Sifang Honghai Electric power Appliance Co., Ltd	702,597.00	702,597.00	100.00	Expected to be non-recoverable
Jiangsu Xinhuang Aluminum Development Co., Ltd	511,646.51	511,646.51	100.00	Expected to be non-recoverable
Jiangsu Sunan Special Equipment Group Co., Ltd	460,000.00	322,000.00	70.00	Expected part to be non-recoverable
Suzhou Industrial Park Baoshigao Electric Co., Ltd	380,000.00	380,000.00	100.00	Expected to be non-recoverable
Haike Engineering Co., Ltd	276,750.00	193,725.00	70.00	Expected part to be non-recoverable
Jiangsu Sunan Heavy Industry Machinery Technology Co., Ltd	233,830.49	163,681.34	70.00	Expected part to be non-recoverable
Sichuan Bozhou Electromechanical Equipment Co., Ltd	152,000.00	152,000.00	100.00	Expected to be non-recoverable
Sihong Gaochuan Wind Power Generation Co., Ltd	124,600.00	87,220.00	70.00	Expected part to be non-recoverable
Changshu Hongtai Real Estate Co., Ltd	88,360.00	61,852.00	70.00	Expected part to be non-recoverable
Zhongji Rizao Diesel Engine Co., Ltd.	79,000.00	79,000.00	100.00	Expected to be non-recoverable
Xinjiang Yineng electric power industry (Group) Co., Ltd	70,000.00	49,000.00	70.00	Expected part to be non-recoverable
Shanxi Huashi Low Carbon Technology Research Institute Co., Ltd	60,000.00	42,000.00	70.00	Expected part to be non-recoverable
Jiangsu Aohai Ship Fittings Co., Ltd	45,000.00	31,500.00	70.00	Expected part to be non-recoverable
Jiangsu Duliang Xiangyu Power Equipment Co., Ltd	30,700.00	30,700.00	100.00	Expected to be non-recoverable
Zibo Senti New Material Co., Ltd	28,000.00	28,000.00	100.00	Expected to be non-recoverable
Total	602,830,130.07	355,396,357.56	58.95	

Provision for credit loss by portfolios

Item	Closing balance		
	Accounting receivable	Credit loss provision	Proportion
			(%)
Portfolio1	7,493,746,413.57	1,021,804,682.26	13.64
Portfolio2			
Total	7,472,485,770.37	1,021,804,682.26	13.64

The credit risk and expected credit losses of accounts receivable from portfolio 1 are as follows:

Overdue aging	Closing balance			Opening balance		
	Carrying amount	Credit loss provision	Proportion	Carrying amount	Credit loss provision	Proportion
			(%)			(%)
Not overdue	4,652,995,963.28	232,649,798.16	5.00	4,298,381,255.11	214,919,062.74	5.00
Overdue within 1 year	1,559,159,806.67	155,915,980.66	10.00	1,542,575,500.75	154,257,550.09	10.00
Overdue 1~2 year	521,425,426.37	156,427,627.91	30.00	820,542,991.01	246,162,897.31	30.00
Overdue 2~3 year	454,385,759.27	227,192,879.65	50.00	294,530,586.33	147,265,293.17	50.00
Overdue 3~4 year	280,805,310.48	224,644,248.38	80.00	12,754,334.57	10,203,467.65	80.00
Overdue over 4 years	24,974,147.50	24,974,147.50	100.00	50,619,840.92	50,619,840.92	100.00
Total	7,493,746,413.57	1,021,804,682.26	13.64	7,019,404,508.69	823,428,111.88	11.73

(3) Credit loss provision

Category	Opening balance	Changes in current period				Closing balance
		Provision	Recovered or reversed	Write off	Others	
Provision for bad debt of account receivables	1,035,764,509.26	361,015,503.94	128,261,999.38	2,619,037.9436	111,302,063.94	1,377,201,039.82

(4) Actual write-off of accounts receivable during current reporting period:

Item	Write-off amount
Write-off of accounts receivable	2,619,037.94

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

Debtor	Closing balance	Proportion of total closing balance of accounts receivable	Closing balance for credit loss provision
Customer1	685,543,642.68	8.47	34,277,182.13
Customer2	553,517,217.00	6.84	111,646,165.10
Customer3	394,844,476.91	4.88	197,309,619.01
Customer4	387,815,856.03	4.79	19,390,792.80
Customer5	303,678,146.21	3.75	20,670,418.52
Total	2,325,399,338.83	28.73	383,294,177.56

5. *Receivables for financing*

Item	Closing Balance	Opening Balance
Bank acceptance bill	1,148,162,359.10	608,839,017.64

(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	7,029,162,411.72	

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

Item	Amount pledged
Bank acceptance bill	381,230,093.18

6. *Prepayment*

(1) Prepayments by aging analysis

	Closing Balance		Closing balance	
Aging	Carrying amount	Proportion	Carrying amount	Proportion
		(%)		*(%)*
Within 1 year	217,465,627.50	94.74	230,481,050.84	92.67
1~2 year	7,273,428.25	3.17	9,246,367.18	3.72
2~3 year	231,097.09	0.10	732,822.64	0.29
Over 3 years	4,567,919.52	1.99	8,242,402.72	3.32
Total	229,538,072.36	100.00	248,702,643.38	100.00

(2) No significant prepayment aging over 1 year are recorded in the Closing balance.

(3) Closing balances of top five prepayments parties

Entity	Closing Balance	Proportion to total prepayments
		(%)
The first	26,563,341.01	11.57
The second	26,406,612.87	11.50
The third	22,113,716.80	9.63
The fourth	15,323,548.67	6.68
The fifth	10,605,575.22	4.62
Total	101,012,794.57	44.00

7. *Other receivables*

Item	Closing Balance	Opening Balance
Interest receivable		
Dividends receivable		
Other receivables	265,294,413.85	134,938,931.80
Total	265,294,413.85	134,938,931.80

(1) Other receivables

① Disclosure by aging

Aging	Closing Balance	Opening Balance
Within 1 year	199,499,189.28	115,137,258.54
1~2 year	53,968,221.59	22,630,980.04
2~3 year	18,757,200.22	2,820,638.55
3~4 year	11,579,828.65	6,380,695.34
4~5 year	21,357,062.63	129,297.57
Over 5 years	7,306,546.10	2,774,238.96
Total	312,468,048.47	149,873,109.00

② Disclosure by nature

Item	Closing Balance	Opening Balance
Receivables and payables	109,361,590.14	66,433,693.44
Guarantee deposits	23,794,276.65	24,547,618.01
Temporary payments and loans	6,970,132.16	8,939,998.27
Disposal long-term assets	119,540,793.77	33,924,712.77
Others	52,801,255.75	16,027,086.51
Total	312,468,048.47	149,873,109.00
Less: Credit loss provision	47,173,634.62	14,934,177.20
Net value	265,294,413.85	134,938,931.80

③ Changes in credit loss provisions for other receivables

	Stage 1	Stage 2	Stage 3	
Bad debt	Expected credit losses in the next 12 months	Expected credit loss for lifetime (No credit loss occurred)	Expected credit loss for lifetime (Credit loss occurred)	Total
Balance as at 1 January 2021	14,934,177.20			14,934,177.20
The book balance of other receivables on January 1st 2021 in the current reporting period				
— Transfer into stage 2				
— Transfer into stage 3				
— Transfer back to stage 2				
— Transfer back to stage 1				
Current provision	5,608,715.76		5,052,264.23	10,660,979.99
Current recovery				
Current write-off				
Other increase			21,578,477.43	21,578,477.43
Balance as at December 31, 2021	20,542,892.96		26,630,741.66	47,173,634.62

④ Provision for credit loss

Category	Opening balance	Changes in current period: Provision	Recovered or reversed	Write off	Others	Closing balance
Provision for bad debt of other receivables	14,934,177.20	10,660,979.99			21,578,477.43	47,173,634.62

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

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

Entity	Nature	Closing balance	Aging	Proportion of total closing balance for other receivables	Closing balance for credit loss provision
				(%)	
The first	Disposal long-term assets	85,616,081.00	Within 1 year	27.40	4,280,804.05
The second	Temporary deposit	50,000,000.00	Within 1 year	16.00	
The third	Other	38,345,434.33	Within 1 year	12.27	1,917,271.72
The fourth *(Note)*	Receivables and payables	38,043,916.66	Within 1 year RMB32,476.04, 1-2 year RMB109,581.05, 2-3 year RMB14,442,897.48, 3-4 year RMB8,610,816.33, 4-5 year RMB14,848,145.76	12.18	19,021,958.33
The fifth	Disposal long-term assets	33,924,712.77	1-2 year	10.86	3,392,471.28
Total	/	245,930,144.76		78.71	28,612,505.38

Note: In this period, the receivables and payables formed by the transactions between Tianjin Hengtian New Energy Automobile Research Institute Co., Ltd., a subsidiary formed by the merger of enterprises not under the common control, and its related party Hubei Xinchufeng Automobile Co., Ltd.

8. *Inventory*

(1) Category

Category	Opening balance: Carrying amount	Opening balance: Provision for stock obsolescence	Opening balance: Book value	Closing balance: Carrying amount	Closing balance: Provision for stock obsolescence	Closing balance: Book value
Raw material	933,828,108.76	14,799,872.95	919,028,235.81	270,459,882.10	9,679,981.08	260,779,901.02
Work in progress	526,430,950.23	7,168,594.53	519,262,355.70	356,086,271.83	11,225,089.15	344,861,182.68
Stock goods	1,582,811,991.98	47,443,418.84	1,535,368,573.14	1,630,825,611.61	145,095,621.60	1,485,729,990.01
Revolving materials	964,705.93		964,705.93	1,157,869.61		1,157,869.61
Goods dispatched	1,696,230,512.82	182,385,843.59	1,513,844,669.23	1,367,450,817.59	239,652,973.29	1,127,797,844.30
Total	4,740,266,269.72	251,797,729.91	4,488,468,539.81	3,625,980,452.74	405,653,665.12	3,220,326,787.62

(2) *Provision for decline in value of inventories*

Item	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Provision	Other	Recovery or reversal	Other	
Raw material	9,679,981.08	8,651,313.71		3,531,421.84		14,799,872.95
Work in progress	11,225,089.15			4,056,494.62		7,168,594.53
Stock goods	145,095,621.60	7,337,879.78		104,990,082.54		47,443,418.84
Goods dispatched	239,652,973.29	148,355,918.55		205,623,048.25		182,385,843.59
Total	405,653,665.12	164,345,112.04		318,201,047.25		251,797,729.91

9. *Non-current assets due within one year*

Item	Closing Balance	Opening Balance
Long-term receivable due within one year	126,672,370.16	84,217,473.68

10. *Other current assets*

Item	Closing Balance	Opening Balance
VAT to be deducted	676,829,799.74	552,232,732.67
Advance payment of income tax	23,638,421.52	1,097,778.12
Deferred expenses		517,906.80
Total	700,468,221.26	553,848,417.59

11. *Other debt investment*

(1) *Details of other debt investment*

Item	Opening balance	Increase in current period	Changes in the fair value	Changes in the foreign currency	Closing balance	Cost	Accumulated changes in fair value
Convertible bond of GRU ENERGY	4,567,430.00			-104,440.00	4,462,990.00	4,462,990.00	

(2) *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) Details of long-term receivables

Item	Closing balance			Opening balance			Discount rate
	Carrying amount	Credit loss provision	Book value	Carrying amount	Credit loss provision	Book value	
Installments for selling goods	25,973,593.63	1,298,679.68	24,674,913.95	75,235,435.34	3,761,771.77	71,473,663.57	

(2) Credit loss provision

Bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for lifetime (No credit loss occurred)	Expected credit loss for lifetime (Credit loss occurred)	
Balance as at 1 January 2021	3,761,771.77			3,761,771.77
The book balance of other receivables on January 1st 2021 in the current reporting period				
— Transfer into stage 2			—	
— Transfer into stage 3				
— Transfer back to stage 2	—			—
— Transfer back to stage 1				
Current provision				
Current recovery	2,463,092.09			2,463,092.09
Current write-off				
Other increase				
Balance as at December 31, 2021	1,298,679.68			1,298,679.68

13. *Long-term equity investment*

Investee	Opening balance	Changes in current period								Closing balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment: Other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	Disposal		
Associates											
Hefei Xingyuan new energy material Co., Ltd	22,956,866.57	126,000,000.00		8,768,167.39						157,725,033.96	
MCC Ruimu New Energy Technology Co., Ltd	276,667,257.56			1,987,519.37	-1,431,384.41					277,223,392.52	
Beijing Fuweisi Oil and Gas Technology Co., Ltd	52,665,059.79			-18,447,619.86				-22,241,335.95		11,976,103.98	22,241,335.95
Anhui Tongguan Copper Foil Co., Ltd	105,162,982.05			12,909,706.54						118,072,688.59	
Jiangxi Yunwei New Material Co., Ltd		55,000,000.00		-196,324.22						54,803,675.78	
Huabei Aluminum New Material Technology Co., Ltd		114,000,000.00		523,157.83						114,523,157.83	
Litong Energy Technology Co., Ltd	1,964,760.23			737,731.58						2,702,491.81	

Investee	Opening balance	Changes in current period								Closing balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment: Other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	Disposal		
Shanghai Gotion Wuyang Shipping Technology Co., Ltd		2,000,000.00		-73,446.65				-1,926,553.35			1,926,553.35
Beijing Gotion fuweisi optical storage and charging technology Co., Ltd	9,228,535.85							-9,228,535.85			
Anhui YiJiaNeng Digital Technology Co., Ltd		16,000,000.00		-5,536,078.74						10,463,921.26	
Shanghai Electric Gotion New Energy Technology Co., Ltd	199,353,463.48			21,691,939.72						221,045,403.20	
Anhui Anwa New Energy Technology Co., Ltd		65,000,000.00		-56,637.46						64,943,362.54	
Subtotal	667,998,925.53	378,000,000.00		22,308,115.50	-1,431,384.41			-33,396,425.15		1,033,479,231.47	24,167,889.30

Note: The external investment held by Hefei Xuanyi Investment Management. Co, Ltd. is disposed in current period.

14. *Other equity investment*

Item	Closing Balance	Opening Balance
Listed equity instrument investment	309,411,751.39	441,676,430.89
Unlisted equity instrument investment	712,055,239.69	473,630,516.50
Total	1,021,466,991.08	915,306,947.39

15. *Fixed assets*

(1) Category

Item	Closing Balance	Opening Balance
Fixed Assets	8,761,582,173.91	7,159,879,961.36
Fixed Assets to be disposal of		
Total	8,761,582,173.91	7,159,879,961.36

(2) Fixed assets

① Details of fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Electronic equipment and others	Total
I. Total original carrying amount:					
1. Opening balance	2,876,506,639.67	5,657,169,309.80	102,379,584.50	446,172,529.94	9,082,228,063.91
2. Increase in the current reporting period	1,262,039,809.15	1,009,907,798.19	34,804,282.73	68,020,598.89	2,374,772,488.96
(1) Purchase		76,018,116.87	21,002,050.61	48,582,345.80	145,602,513.28
(2) Transferred from construction in progress	1,089,263,273.15	898,335,993.32		14,570,203.02	2,002,169,469.49
(3) Increase due to business combination	172,776,536.00	35,553,688.00	13,802,232.12	4,868,050.07	227,000,506.19
3. Decrease in the current reporting period	77,039,015.59	571,280.76	5,761,618.98	14,397,070.69	97,768,986.02
(1) Disposal or write-off	77,039,015.59	571,280.76	5,761,618.98	14,370,300.35	97,742,215.68
(2) Decrease due to business combination				26,770.34	26,770.34
4. Closing balance	4,061,507,433.23	6,666,505,827.23	131,422,248.25	499,796,058.14	11,359,231,566.85
II. Accumulated depreciation					
1. Opening balance	371,428,831.61	1,288,510,958.56	39,223,897.22	218,307,072.70	1,917,470,760.09
2. Increase in the current reporting period	110,001,692.02	544,462,449.07	18,518,500.76	54,604,812.03	727,587,453.88
(1) Accrual	110,001,692.02	544,462,449.07	18,518,500.76	54,604,812.03	727,587,453.88
(2) Increase due to business combination					
3. Decrease in the current reporting period	42,543,006.82	180,457.32	218,287.78	4,467,069.11	47,408,821.03
(1) Disposal or write-off	42,543,006.82	180,457.32	218,287.78	4,448,303.56	47,390,055.48
(2) Decrease due to business combination				18,765.55	18,765.55
4. Closing balance	438,887,516.81	1,832,792,950.31	57,524,110.20	268,444,815.62	2,597,649,392.94

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Electronic equipment and others	Total
III. Provision for impairment					
1. Opening balance		4,877,342.46			4,877,342.46
2. Increase in the current reporting period					
(1) Accrual					
(2) Increase due to business combination . .					
3. Decrease in the current reporting period		4,877,342.46			4,877,342.46
(1) Disposal or write-off . .		4,877,342.46			4,877,342.46
(2) Decrease due to business combination . .					
4. Closing balance					
VI. Book value					
1. Closing balance on book value	3,622,619,916.42	4,833,712,876.92	73,898,138.05	231,351,242.52	8,761,582,173.91
2. Opening balance on 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 As of December 31st 2021, the Group did not have any significant idle fixed assets.

③ As of December 31st 2021, the Group had not rent out any fixed asset through operating leasing.

④ Fixed assets of which certificates of title have not been granted as of December 31st 2021

Item	Carrying amount	Reason for certificates of title not granted
Dongyuan absorbed Taifu.	8,384,628.11	Obtained the real estate certificates on January, 2022
Tangshan Phase I and II workshop . .	138,081,016.77	In the process of obtaining the real estate certificates
Hefei Phase III workshop.	198,192,778.80	In the process of obtaining the real estate certificates
Qingdao Phase I and II workshop. . .	218,732,867.34	In the process of obtaining the real estate certificates
Gotion Nanjing Phase II workshop . .	139,927,972.24	In the process of obtaining the real estate certificates
Nanjing New Energy Workshop	321,523,541.97	In the process of obtaining the real estate certificates
Gotion Lujiang Phase II workshop . .	418,160,468.88	In the process of obtaining the real estate certificates
Tianjin Hengtian Phase I workshop. .	169,516,139.00	In the process of obtaining the real estate certificates
Total.	1,612,519,413.11	

16. Construction in progress

(1) Category

Item	Closing Balance	Opening Balance
Construction in progress	2,632,201,747.37	1,151,952,297.82
Materials hold for construction in progress		
Total	2,632,201,747.37	1,151,952,297.82

(2) Construction in progress

① Details of the construction in progress

	Closing balance			Opening balance		
Item	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Hefei directly-subordinate 1st plant construction project	68,363,617.06		68,363,617.06	18,687,925.35		18,687,925.35
Directly-subordinate 3rd plant reconstruction project	19,022,929.83		19,022,929.83	17,556,649.90		17,556,649.90
Hefei Gotion 600 million Ah (annual production) high-energy-density power lithium battery industrialization project	22,963,619.67		22,963,619.67	24,826,800.91		24,826,800.91
Shanghai R&D Center	588,188,321.01		588,188,321.01	299,319,249.69		299,319,249.69
10,000 t (annual production) high nickel ternary cathode materials and 5,000 t (annual production) silicon-based anode materials project	34,501,345.09		34,501,345.09	140,962,432.08		140,962,432.08
New plant project in the Economic Development Zone	550,907,083.61		550,907,083.61	12,252,083.72		12,252,083.72
BMS R&D and production (annual production of 500,000 sets) and Hefei Central	42,769,588.05		42,769,588.05	226,293,495.66		226,293,495.66
New plant project of Tangshan Gotion	416,496,690.30		416,496,690.30	16,561,369.20		16,561,369.20
Nanjing Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project				13,926,844.04		13,926,844.04
Nanjing Gotion New Energy Co., Ltd	11,645,419.78		11,645,419.78	328,028,298.34		328,028,298.34
Intelligent manufacturing base and supporting projects	137,812,138.43		137,812,138.43			

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Gotion new energy (Lujiang) phase II project	55,580,009.51		55,580,009.51			
Liuzhou phase I project	359,181,486.43		359,181,486.43	2,831,478.08		2,831,478.08
Construction of 15gwh/a lithium battery and pack production base	157,336,410.03		157,336,410.03			
Power battery project with an annual output of 20gwh	60,028,301.89		60,028,301.89			
Lithium battery cathode material project	33,762,164.70		33,762,164.70			
Lujiang 200000 t/a high-end cathode material project	35,000,000.00		35,000,000.00			
Others	38,642,621.98		38,642,621.98	50,705,670.85		50,705,670.85
Total	2,632,201,747.37		2,632,201,747.37	1,151,952,297.82		1,151,952,297.82

② Changes in significant construction in progress during the current reporting period

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period		Closing balance
			Transferred to fixed assets	Other	
Hefei directly-subordinate 1st plant construction project	18,687,925.35	56,852,762.29	7,177,070.58		68,363,617.06
Directly-subordinate 3rd plant reconstruction project	17,556,649.90	9,402,878.13	7,936,598.20		19,022,929.83
Hefei Gotion 600 million Ah (annual production) high-energy-density power lithium battery industrialization project	24,826,800.91	97,345.13	1,960,526.37		22,963,619.67
Shanghai R&D Center	299,319,249.69	288,869,071.32			588,188,321.01
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	84,255,038.55	190,716,125.54		34,501,345.09
New plant project in the Economic Development Zone	12,252,083.72	539,256,931.90	601,932.01		550,907,083.61
BMS R&D and production (annual production of 500,000 sets) and Hefei Central	226,293,495.66	435,378,499.87	618,902,407.48		42,769,588.05
New plant project of Tangshan Gotion	16,561,369.20	463,202,700.66	63,267,379.56		416,496,690.30

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period		Closing balance
			Transferred to fixed assets	Other	
Nanjing Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project . .	13,926,844.04	524,376.44	14,451,220.48		
Nanjing Gotion New Energy Co., Ltd	328,028,298.34	125,558,584.83	441,941,463.39		11,645,419.78
Intelligent manufacturing base and supporting projects.		137,812,138.43			137,812,138.43
Gotion new energy (Lujiang) phase II project		110,061,913.23	54,481,903.72		55,580,009.51
Liuzhou phase I project . . .	2,831,478.08	944,272,580.41	587,922,572.06		359,181,486.43
Construction of 15gwh/a lithium battery and pack production base		157,336,410.03			157,336,410.03
Power battery project with an annual output of 20gwh		60,028,301.89			60,028,301.89
Lithium battery cathode material project		33,762,164.70			33,762,164.70
Lujiang 200000 t/a high-end cathode material project. .		35,000,000.00			35,000,000.00
Others.	50,705,670.85	747,221.23	12,810,270.10		38,642,621.98
Total	1,151,952,297.82	3,482,418,919.05	2,002,169,469.49		2,632,201,747.37

Item	Accumulated capitalized interest and profit/loss on exchange	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period	Source of funds
			(%)	
Hefei directly-subordinate 1st plant construction project				Self financing
Directly-subordinate 3rd plant reconstruction project				Self financing
Hefei Gotion 600 million Ah (annual production) high-energy-density power lithium battery industrialization project . .				Raised funds + Self financing
Shanghai R&D Center	17,373,401.57	17,373,401.57	6.01	Self financing
10,000 t (annual production) high nickel ternary cathode materials and 5,000 t (annual production) silicon-based anode materials project . .				Raised funds

Item	Accumulated capitalized interest and profit/loss on exchange	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period	Source of funds
			(%)	
New plant project in the Economic Development Zone.	20,849,773.47	20,849,773.47	3.87	Self financing
BMS R&D and production (annual production of 500,000 sets) and Hefei Central				Raised funds
New plant project of Tangshan Gotion.				Self financing
Nanjing Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project . .				Raised funds
Nanjing Gotion New Energy Co., Ltd	43,094,004.67	11,654,546.11	9.28	Raised funds + Self financing
Intelligent manufacturing base and supporting projects.				Self financing
Gotion new energy (Lujiang) phase II project	20,237,383.89	5,828,000.00	5.30	Raised funds + Self financing
Liuzhou phase I project. . . .	5,983,824.54	5,983,824.54	0.63	Self financing
Construction of 15gwh/a lithium battery and pack production base				Self financing
Power battery project with an annual output of 20gwh				Self financing
Lithium battery cathode material project				Self financing
Lujiang 200000 t/a high-end cathode material project . .				Self financing
Others	3,225,606.26			Self financing
Total	110,763,994.40	61,689,545.69		

③ As of December 31st 2021, the Company did not have any sign of impairment of projects under construction; therefore, no provision for impairment loss was booked.

17. *Right-of-use assets*

Item	Buildings and constructions	Machinery equipment	Total
I. Total original carrying amount			
1. Opening balance	11,015,846.35		11,015,846.35
2. Increase in the current reporting period		1,437,256.47	1,437,256.47
(1) New lease		1,437,256.47	1,437,256.47
(2) Increase due to business combination			
(3) Other			
3. Decrease in the current reporting period			
(1) The lease contract expires or terminates			
(2) Decrease due to business combination			
(3) Other			
4. Closing balance	11,015,846.35	1,437,256.47	12,453,102.82
II. Accumulated depreciation			
1. Opening balance			
2. Increase in the current reporting period	3,018,554.57	143,725.65	3,162,280.22
(1) Accrual	3,018,554.57	143,725.65	3,162,280.22
(2) Increase due to business combination			
3. Decrease in the current reporting period			
(1) The lease contract expires or terminates			
(2) Decrease due to business combination			
4. Closing balance	3,018,554.57	143,725.65	3,162,280.22
III. Provision for impairment			
1. Opening balance			
2. Increase in the current reporting period			
(1) Accrual			
(2) Increase due to business combination			
3. Decrease in the current reporting period			
(1) The lease contract expires or terminates			
(2) Decrease due to business combination			
4. Closing balance			
VI. Book value			
1. Closing balance on book value	7,997,291.78	1,293,530.82	9,290,822.60
2. Opening balance on book value	11,015,846.35		11,015,846.35

18. *Intangible assets*

(1) Details of intangible assets

Item	Land use right	Intellectual property right	Software and other	Total
I. Total original carrying amount				
1. Opening balance	1,015,770,954.93	344,048,876.28	35,625,871.11	1,395,445,702.32
2. Increase in the current reporting period	392,448,530.53	319,754,222.74	32,710,073.55	744,912,826.82
(1) Purchase	286,052,726.53		31,599,976.55	317,652,703.08
(2) In-house R&D		281,339,665.79		281,339,665.79
(3) Increase due to business combination	106,395,804.00	38,414,556.95	1,110,097.00	145,920,457.95

Item	Land use right	Intellectual property right	Software and other	Total
3. Decrease in the current reporting period	51,092,642.21	67,140.00	4,488.68	51,164,270.89
(1) Disposal	21,701,590.13			21,701,590.13
(2) Decrease due to business combination	29,391,052.08		4,488.68	29,395,540.76
(3) Other		67,140.00		67,140.00
4. Closing balance	1,357,126,843.25	663,735,959.02	68,331,455.98	2,089,194,258.25
II. Accumulated amortization				
1. Opening balance	77,654,234.50	39,373,420.01	14,281,591.44	131,309,245.95
2. Increase in the current reporting period	25,737,138.91	39,958,600.99	8,487,462.62	74,183,202.52
(1) Accrual	25,737,138.91	39,958,600.99	8,487,462.62	74,183,202.52
(2) Increase due to business combination				
3. Decrease in the current reporting period	11,600,269.57		2,161.32	11,602,430.89
(1) Disposal	7,387,551.87			7,387,551.87
(2) Decrease due to business combination	4,212,717.70		2,161.32	4,214,879.02
4. Closing balance	91,791,103.84	79,332,021.00	22,766,892.74	193,890,017.58
III. Provision for impairment				
1. Opening balance				
2. Increase in the current reporting period				
(1) Accrual				
(2) Increase due to business combination				
3. Decrease in the current reporting period				
(1) Disposal				
(2) Decrease due to business combination				
4. Closing balance				
VI. Book value				
1. Closing balance on book value	1,265,335,739.41	584,403,938.02	45,564,563.24	1,895,304,240.67
2. Opening balance on book value	938,116,720.43	304,675,456.27	21,344,279.67	1,264,136,456.37

Note: The proportion of intangible assets formed not through internal research and development of the Company in the balance of intangible assets at the end of this period is 28.97%.

19. Development expenditure

Item	Opening balance	Increase in the current period: In-house development expenditure	Increase in the current period: Other	Decrease in the current period: Recognized intangible assets	Decrease in the current period: Transfer to current profit or loss	Closing balance
180wh/kg Lithium iron phosphate cell development	59,403,165.57	9,854,790.20		69,257,955.77		
14.5ah Lithium iron phosphate cell development	43,056,931.65	15,548,238.49		58,605,170.14		
50Ah single-crystal low-cost cell cell development	17,576,071.33	45,375,792.71		62,951,864.04		
50160116100Ah iron phosphate cell development	15,381,601.94	48,545,217.04				63,926,818.98
Development and application of 712 single crystal ternary material	14,398,046.38	59,534,318.02		73,932,364.40		
PESS		22,151,084.53			22,151,084.53	
Development and introduction of testing CCD technology and welding process of sealing plate		57,528,812.45			57,528,812.45	
Greatwall ES11-400KM(CP-21-03-01)		54,471,591.64			54,471,591.64	
Nio 75kWh (DJ1953)		20,391,548.68				20,391,548.68
160Wh/kg Commercial vehicle battery system development project		41,457,734.97			41,457,734.97	
Complex fluid collecting production line construction project		37,790,576.43			37,790,576.43	
DJ2136 Jizhi PA2A(CP-21-03-65)		31,118,937.94			31,118,937.94	
55AH cell development		50,095,023.63				50,095,023.63
Ternary material development		47,231,899.82				47,231,899.82
124ah cell development		44,630,878.11				44,630,878.11
low temperature cell development		35,656,181.27				35,656,181.27
Lithium iron phosphate materials development		34,852,842.44				34,852,842.44
230ah cell development		29,131,415.97				29,131,415.97
150ah cell development		25,815,024.52				25,815,024.52
Others		455,445,349.73		16,592,311.44	399,678,324.51	39,174,713.78
Total	149,815,816.87	1,166,627,258.59		281,339,665.79	644,197,062.47	390,906,347.20

20. Goodwill

(1) Goodwill book value

The name of the investee or the matter that forming a goodwill	Opening balance	Increased		Decreased		Closing balance
		Business combination	Other	Liquidation & cancellation	Other	
Jiangsu Dongyuan Electrical Group Co., Ltd	80,427,604.58					80,427,604.58
Shanghai Gotion Wuyang Shipping Technology Co., Ltd	938,729.04			938,729.04		
Tianjin Hengtian Car Research Institute Co., Ltd		67,496,148.69				67,496,148.69
Total	81,366,333.62	67,496,148.69		938,729.04		147,923,753.27

(2) Goodwill impairment provision

During the reporting period, the Company did not find that the recoverable amount of the relevant asset group including the apportioned goodwill was lower than its book value, so it is considered that there is no need to accrue impairment loss for goodwill.

(3) Related information regarding to the assets or assets group of the 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.

(4) Explain the process of goodwill impairment test

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.

The goodwill of Tianjin Hengtian New Energy Vehicle Research Institute Co., Ltd was initially formed in May, 2021 through the conversion of Accounts receivable to capital. It is based on the Daxin certified public accountants dxsz [2020] No. 1-04304, [2021] NO. 26-00016 audit report and Walker Sen (Beijing) International Assets Appraisal Co., Ltd. Walker Sen Ping Bao Zi [2020] No. 2013 appraisal report. After the adjustment, the fair value of identified net assets of Tianjin Hengtian is RMB182,656,511.95 after the capital increase; The goodwill RMB67,496,148.69 is formed by the difference between the carrying amount of account receivables RMB183,483,033.78 and the entitled identified net assets RMB115,986,885.09. The business system of Tianjin Hengtian is clear, the production and operation are relatively independent, and the main businesses are directly connected with the market and priced by the market, which meets the relevant requirements of the asset group. So the Company decide to identify Tianjin Hengtian as an assets group and test the goodwill impairment on this basis.

21. Long-term deferred expenses

Item	Opening balance	Increased	Decreased		Closing balance
			Amortized	Other	
Projects of rebuilding and decoration	7,825,354.83	6,576,230.27	3,847,761.40		10,553,823.70
Landscape engineering	4,216,760.44	1,769,535.71	793,387.25		5,192,908.90
Equipment transformation		3,223,996.46	264,467.72		2,959,528.74
Total	12,042,115.27	11,569,762.44	4,905,616.37		18,706,261.34

22. Deferred tax assets/Deferred tax liability

(1) Deferred tax assets that are not presented on net off basis

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for credit loss	1,315,927,472.39	199,405,282.80	1,098,060,424.90	165,567,686.79
Provision for impairment losses of inventory	240,697,274.64	36,832,151.30	388,868,925.23	59,024,848.34
Provisions	275,879,048.79	47,402,224.68	281,617,439.77	48,262,983.33
Deferred income	154,633,262.20	24,114,989.33	235,637,648.52	37,152,647.28
Unrealized profit from intergroup transactions	87,306,332.32	13,095,949.83	110,739,932.88	16,610,989.90
Deductible losses	1,217,907,349.64	213,320,142.40	771,181,395.07	139,588,764.29
Share-based payment	58,212,003.31	10,020,364.30		
Right-of-use assets	12,526.00	1,878.90		
Changes in the fair value of derivative financial instruments	754,247.55	113,137.13		
Total	3,351,329,516.84	544,306,120.67	2,886,105,766.37	466,207,919.93

(2) Deferred tax liabilities that are not presented on net off basis

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax liability	Deductible temporary differences	Deferred tax liability
Difference in installments	24,798,821.21	3,719,823.18	53,807,156.59	8,071,073.49
Difference in depreciation of fixed assets	152,811,430.10	27,902,400.95	150,431,369.25	24,673,313.48
Estimated added value of assets not under common control	75,016,161.30	11,282,844.67	41,348,689.01	6,253,109.25
Changes in the fair value of derivative financial instruments	578,783.33	86,817.50	283,333.33	42,500.00
Intertemporal interest of discount bills not derecognized internally	18,562,918.32	3,169,922.03		
Total	271,768,114.26	46,161,808.33	245,870,548.18	39,039,996.22

(3) Details of unrecognized deferred tax assets

Item	Closing Balance	Opening Balance
Provision for credit loss of account receivable	148,039,199.07	20,591,910.25
Provision for impairment losses of inventory	11,100,455.27	16,784,739.89
Provision for impairment of long-term equity investment	24,167,889.30	
Provision for impairment of fixed assets		4,877,342.46
Deferred income	2,252,082.46	11,644,781.81
Deductible losses	573,509,698.19	383,160,292.26
Share-based payment	6,496,779.01	
Total	765,566,103.30	437,059,066.67

(4) Deductible losses for unrecognized deferred tax assets will expire in the following years

Year	Closing balance	Opening balance	Note
2021		333,787.08	
2022	4,904,740.05	6,840,559.05	
2023	27,967,133.85	48,632,438.05	
2024	21,760,318.82	59,740,013.80	
2025	102,903,147.98	42,000,070.82	
2026	170,942,174.28		
Total	328,477,514.98	157,546,868.80	

23. *Other non-current assets*

Item	Closing Balance	Opening Balance
Prepayments for equipment	1,695,536,969.73	262,645,218.73
Prepayments for equity investment	97,639,636.64	
Prepayments for acquisition of land and building	48,641,320.40	
Unguaranteed residual value formed by financial leasing business of self owned products	6,845,319.74	7,712,070.72
Total	1,848,663,246.51	270,357,289.45

24. *Short-term borrowings*

Item	Closing Balance	Opening Balance
Guaranteed borrowings	5,158,575,274.66	2,903,886,000.00
Pledge loan	100,000,000.00	
Credit borrowings	51,005,600.00	80,000,000.00
Mortgaged borrowings	141,000,000.00	268,000,000.00
Add: Unexpired interest of short-term borrowings	29,866,180.56	
Total	5,480,447,055.22	3,251,886,000.00

As of December 31st 2021, the Company did not have any overdue short-term loans that were failed to repay.

25. *Notes payable*

Category	Closing Balance	Opening Balance
Bank acceptance Bill	4,322,061,054.47	2,400,881,901.04
Commercial acceptance Bill	507,238,151.58	631,110,577.4
Total	4,829,299,206.05	3,031,992,478.44

As of December 31st 2021, the Company did not have any unpaid matured notes payable.

26. *Accounts payable*

① *List of accounts payable*

Item	Closing Balance	Opening Balance
Payments for goods	3,524,243,000.84	2,705,263,912.96
Payables on equipment	1,881,465,510.66	1,311,492,466.26
Total	5,405,708,511.50	4,016,756,379.22

② As of December 31st 2021, the Company did not have any significant accounts payable with aging above one year.

27. Contract liabilities

Item	Closing Balance	Opening Balance
Advanced receipts from sales of products	553,370,197.48	115,519,624.84
Advanced receipts from lease	7,840,497.01	7,840,497.01
Total	561,210,694.49	123,360,121.85

28. Employee benefits payable

(1) Details of employee benefits payable

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
I. Short-term remuneration	106,325,002.54	1,225,806,540.44	1,144,371,201.85	187,760,341.13
II. Post-employment benefits-defined benefit plan	7,061,895.44	78,538,887.65	84,485,924.81	1,114,858.28
III. Termination benefits		113,097.00	113,097.00	
Total	113,386,897.98	1,304,458,525.09	1,228,970,223.66	188,875,199.41

(2) Short-term remuneration

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	103,012,746.97	1,101,723,902.43	1,018,772,668.04	185,963,981.36
2. Staff welfare		56,115,040.89	56,115,040.89	
3. Social insurance contributions	2,863,678.36	43,036,288.13	44,850,027.17	1,049,939.32
Including: Medical insurance	2,727,312.72	39,539,916.44	41,686,338.08	580,891.08
Injury insurance	136,365.64	2,286,387.35	1,953,704.75	469,048.24
Maternity insurance		1,209,984.34	1,209,984.34	
4. Housing funds	329,630.60	21,291,101.02	21,114,968.54	505,763.08
5. Labor union and education fund	118,946.61	3,640,207.97	3,518,497.21	240,657.37
Subtotal	106,325,002.54	1,225,806,540.44	1,144,371,201.85	187,760,341.13

(3) Defined contribution plan

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1. Basic pension insurance	6,848,824.13	76,048,011.40	81,939,441.26	957,394.27
2. Unemployment insurance	213,071.31	2,490,876.25	2,546,483.55	157,464.01
Subtotal	7,061,895.44	78,538,887.65	84,485,924.81	1,114,858.28

29. Taxes payable

Item	Closing Balance	Opening Balance
Corporate income tax	26,005,874.96	105,509,559.17
VAT	165,481,010.04	99,074,236.25
Personal Income Tax	1,181,292.12	516,648.69
City construction and maintenance tax	181,633.36	531,464.79
Education surcharges and local education surcharges	155,772.70	447,724.47
Real estate tax	14,248,040.34	7,536,251.09
Urban land use tax	2,665,412.87	3,305,383.29
Other	9,578,377.35	3,507,524.73
Total	219,497,413.74	220,428,792.48

30. Other payables

(1) Category

Item	Closing Balance	Opening Balance
Interest payable	14,784,265.56	43,348,953.78
Dividend payable	2,033,891.80	2,033,891.80
Other payables	267,523,725.10	193,638,662.65
Total	284,341,882.46	239,021,508.23

(2) Interest payable

Item	Closing Balance	Opening Balance
Long-term borrowings interest	14,784,265.56	6,658,635.69
Bond interest		25,100,000.00
Short-term borrowings interest		7,966,701.78
Other		3,623,616.31
Total	14,784,265.56	43,348,953.78

(3) Dividend payable

Item	Closing Balance	Opening Balance
Cash dividend	2,033,891.80	2,033,891.80

(4) Other payables

① List of other payables according to the nature of the payment

Item	Closing Balance	Opening Balance
Obligation for repurchase of restricted shares	78,755,040.16	70,966,336.66
Accrued expenses	75,193,721.08	55,379,653.60
Receivables and payables	14,373,140.43	16,284,711.20
Guarantee	40,875,200.39	34,555,816.79
Subscribed capital contribution	16,000,000.00	
Other	42,326,623.04	16,452,144.40
Total	267,523,725.10	193,638,662.65

② As of December 31st 2021, the Company did not have any significant other payables aging over one year.

31. Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term borrowings due within one year	1,094,126,761.00	519,200,289.92
Long-term payables interest due within one year	14,461,070.89	
Long-term payables due within one year	130,241,811.27	363,215,513.89
Total	1,238,829,643.16	882,415,803.81

As of December 31st 2021, the Company have RMB80,000,000.00 overdue short-term loans that were failed to repay. It is formed by Tianjin Hengtian which is the subsidiary not under common control.

32. Other current liabilities

Item	Closing Balance	Opening Balance
Unrealized profits of internal sales corresponding to the inventory committed to repurchase *[note]*	4,464,531.65	4,464,531.65
Output VAT to be transferred	69,592,562.98	13,053,079.17
Total	74,057,094.63	17,517,610.82

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.

33. Long-term borrowings

Item	Closing Balance	Opening Balance
Guaranteed borrowings	3,852,400,000.00	1,733,625,321.67
Mortgaged borrowings	1,459,795,684.36	1,089,000,000.00
Factoring loans	156,261,761.00	231,803,880.50
Pledge loans		51,428,571.43
Less: Long-term borrowings due within one year	1,094,126,761.00	519,200,289.92
Add: Unexpired interest of long-term borrowings	3,531,666.67	
Total	4,377,862,351.03	2,586,657,483.68

34. Bonds payable

(1) Bonds payables

Item	Closing Balance	Opening Balance
18 Gotion Green Bond 01	498,699,420.14	497,996,060.06
18 Gotion Green Bond 02		497,803,569.02
Total	498,699,420.14	995,799,629.08

(2) Changes in the bonds payables

Name	Nominal value	Issuance date	Maturity period	Issuance amount	Opening balance	Amount issued in the current period
18 Gotion Green Bond 01	500,000,000.00	2018/4/12	5年	500,000,000.00	497,996,060.06	
18 Gotion Green Bond 02	500,000,000.00	2018/11/14	5年	500,000,000.00	497,803,569.02	
Total	1,000,000,000.00			1,000,000,000.00	995,799,629.08	

Name	Interest accrued by nominal value	Amortization of premiums or discounts	Amount repaid off in the current period	Interest repaid off in the current period	Reclassified into non-current liabilities due within one year	Closing balance
18 Gotion Green Bond 01	32,500,000.00	703,360.08		12,087,500.00	20,412,500.00	498,699,420.14
18 Gotion Green Bond 02	15,860,445.21	2,196,430.98	500,000,000.00	15,860,445.21		
Total	48,360,445.21	2,899,791.06	500,000,000.00	27,947,945.21	20,412,500.00	498,699,420.14

35. Lease liabilities

Item	Closing Balance	Opening Balance
Lease liabilities-Lease payments	6,483,906.36	8,417,130.00
Less: Lease liabilities-Unrecognized financing expenses	284,004.40	419,838.22
Total	6,199,901.96	7,997,291.78

36. Long-term payables

(1) Category

Item	Closing Balance	Opening Balance
Long-term payables	589,800,000.00	697,551,884.79

(2) List of long-term payables according to the nature of the payment

Item	Closing Balance	Opening Balance
Purchase assets	106,725,864.63	467,948,844.11
Repurchase shares	589,800,000.00	589,800,000.00
Less: Long-term payables due within one year	106,725,864.63	360,196,959.32
Total	589,800,000.00	697,551,884.79

37. Provisions

Item	Closing balance	Opening balance	Reason
Product quality warranty	275,879,048.79	281,617,439.77	Accrued product quality warranty

38. Deferred income

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Other	Closing balance	Reasons
Government Grants . .	253,228,448.98	3,480,100.00	85,837,552.92	9,364,900.00	161,506,096.06	Related to assets
Unrealized profit and loss from sale and leaseback	11,644,781.81			11,011,579.53	633,202.28	Related to lease
Total.	264,873,230.79	3,480,100.00	85,837,552.92	20,376,479.53	162,139,298.34	/

Note: Details of government grants is disclosed in Note V-64.

39. Share capital

Item	Opening balance	Changes for the current reporting period					Closing balance
		New issue of shares	Bonus issue	Transfer from Capital Reserve	Other	Subtotal	
Total share	1,280,544,489.00	384,163,346.00					1,664,707,835.00

Note: In accordance with resolutions of the forth meeting of the eighth session of the Board of Directors, the resolution of the 1st Extraordinary General Meeting of 2020, and CSRC's Official Reply on Approving the Registration of Share Offering to Special Objects by Gotion Hi-Tech Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1421), the Company is approved to issue 384,163,346.00 shares to specific investee Volkswagen (China) Investment Co., Ltd, the par value per share is RMB1.00 and the issue price per share is RMB19.01. The net amount of funds raised by the Company after deducting underwriting fees, attorney's fees, capital verification and other expenses (excluding tax) totaled RMB7,230,855,085.62, in which RMB384,163,346.00 is recognized in share capital and RMB6,846,691,739.62 is recognized in capital reserve (equity premium). After this change, the share capital is changed to 1,664,707,835.00, and the registered capital is changed to RMB1,664,707,835.00.

40. Capital reserves

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Closing balance
Share premium	6,202,095,406.68	6,907,008,615.34	7,950,208.89	13,101,153,813.13
Other capital reserves. .	29,208,661.69	64,004,535.98		93,213,197.67
Total.	6,231,304,068.37	6,971,013,151.32	7,950,208.89	13,194,367,010.80

(1) Share premium:

Increase in current period: ① see the Note-39; ② Withdraw the first batch of unlocking restricted shares that fail to meet the standards of the second phase of the employee stock ownership plan, and transfer in RMB28,291,397.34; ③ The shareholders of Liuzhou Gotion Battery Co., Ltd increase their capital in different proportions, the company shall enjoy RMB32,025,478.38 according to the shareholding ratio.

Decrease in current period: formed by the purchase of equity held by minority shareholders of Nantong Aston Electric Appliance Manufacturing Co., Ltd.

(2) Other capital reserves

Increase in current period: The recognized option fee by stock option incentive plan in 2021.

41. Treasury shares

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Closing balance
Restricted shares incentive scheme . . .	51,832,115.66	28,291,397.34		80,123,513.00
Equity of parent company held by subsidiaries.	59,000,000.00			59,000,000.00
Total.	110,832,115.66	28,291,397.34		139,123,513.00

42. *Other comprehensive income*

Item	Opening balance	Current period: Amount in current period before income tax	Current period: Less: Previously recognized in other comprehensive income transferred to profit or loss	Current period: Less: previously recognized in other comprehensive income transferred to retained earnings	Current period: Less: income tax	Current period: Amount attribute to parent company after tax	Current period: Amount attribute to non-controlling shareholders after tax	Closing balance
I. Other comprehensive income that will not be reclassified to profit or loss	184,797,660.82	454,660,886.98		143,273,477.24		311,387,409.74		496,185,070.56
Including: Changes in fair value of other equity investment	184,797,660.82	454,660,886.98		143,273,477.24		311,387,409.74		496,185,070.56
II. Other comprehensive income that will be reclassified to profit or loss	3,504,785.89	-3,777,375.56				-3,777,375.56		-272,589.67
Including: Other comprehensive income that will be reclassified into profit or loss under equity method		-1,431,384.41				-1,431,384.41		-1,431,384.41
Effect on conversion of financial statements denominated in foreign currencies	3,504,785.89	-2,345,991.15				-2,345,991.15		1,158,794.74
Total	188,302,446.71	450,883,511.42		143,273,477.24		307,610,034.18		495,912,480.89

43. *Surplus reserves*

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Closing balance
Statutory surplus reserves	158,973,015.65	19,365,287.40		178,338,303.05

44. *Retained earnings*

Item	Closing Balance	Opening Balance
Retained earnings at the beginning of prior period before adjustment	3,157,722,575.92	2,996,159,435.79
Retained earnings at the beginning of the period after adjustment	3,157,722,575.92	2,996,159,435.79
Add: Net profit attributable to the parent company for the current reporting period	101,890,171.25	149,673,020.43
Transformed from disposal of other equity instrument	143,273,477.24	11,890,119.70
Less: Appropriation to statutory surplus reserve	19,365,287.40	
Retained earnings at the end of the current reporting period	3,383,520,937.01	3,157,722,575.92

45. *Operating revenue and cost*

(1) Operating revenue and operating cost

	Amount for the current period		Amount for the prior period	
Item	Income	Cost	Income	Cost
Operating income	10,223,470,462.10	8,417,887,643.76	6,620,680,786.67	5,013,405,396.06
Other operating income	132,610,729.66	11,357,489.42	103,552,443.89	14,514,053.85
Total	10,356,081,191.76	8,429,245,133.18	6,724,233,230.56	5,027,919,449.91

(2) Operating business (by product)

	Amount for the current period		Amount for the prior period	
Category	Income	Cost	Income	Cost
Power lithium battery products	9,765,130,447.26	8,019,046,370.27	6,277,156,718.09	4,725,476,227.25
Transmission and distribution products	458,340,014.84	398,841,273.49	343,524,068.58	287,929,168.81
Total	10,223,470,462.10	8,417,887,643.76	6,620,680,786.67	5,013,405,396.06

(3) Operating business (by region)

Region	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Mainland China	9,695,809,851.14	8,083,469,634.70	6,462,022,737.66	4,921,107,798.70
Overseas	527,660,610.96	334,418,009.06	158,658,049.01	92,297,597.36
Total	10,223,470,462.10	8,417,887,643.76	6,620,680,786.67	5,013,405,396.06

(4) Revenue of top five customers

Customer name	Operating income	Proportion of total closing balance of revenue
		(%)
Customer 1	879,404,271.84	8.49
Customer 2	811,757,868.63	7.84
Customer 3	767,031,628.42	7.41
Customer 4	709,618,483.36	6.85
Customer 5	540,954,693.00	5.22
Total	3,708,766,945.25	35.81

46. Taxes and surcharges

Item	Amount for the current period	Amount for the prior period
Urban maintenance and construction tax	609,579.31	1,406,076.35
Educational surcharge	500,907.09	1,140,305.55
Real estate tax	32,892,463.42	20,823,134.47
Land use tax	14,518,582.34	8,483,618.70
Stamp tax	16,471,170.95	6,138,566.00
Other	9,947,493.14	5,481,913.89
Total	74,940,196.25	43,473,614.96

47. Selling expenses

Item	Amount for the current period	Amount for the prior period
Warranty and after sale expenses	171,646,783.99	183,137,195.95
Payroll	78,328,516.37	49,136,329.89
Travelling expenses	38,413,440.71	14,521,413.44
Marketing expenses	7,894,222.37	3,248,773.79
Bidding expenses	1,366,992.84	2,683,300.80
Office expenses	10,281,237.55	2,018,995.28
Depreciation and amortization expenses	12,000,346.17	3,517,161.64
Other	10,285,039.45	7,846,219.18
Total	330,216,579.45	266,109,389.97

48. Administrative expenses

Item	Amount for the current period	Amount for the prior period
Payroll	268,035,448.42	207,724,425.09
Office expenses	73,951,851.28	44,283,124.23
Depreciation and amortization expenses	94,681,152.93	68,892,422.20
Agency expenses	10,982,179.68	23,406,473.70
Business entertainment and promotion expenses	13,355,160.66	11,836,145.47
Repairing expenses	8,387,590.41	13,524,551.78
Travelling expenses	10,356,808.09	6,353,620.64
Option fee	64,708,782.32	
Other	24,955,444.28	21,806,346.90
Total	569,414,418.07	397,827,110.01

49. R&D expenses

Item	Amount for the current period	Amount for the prior period
Research materials	231,206,123.84	118,852,479.92
Payroll	236,160,310.14	209,516,331.47
Office expenses	30,073,149.45	24,593,863.72
Depreciation and amortization expenses	100,455,215.91	66,212,542.24
Cooperative development and patent fee	12,129,666.86	44,572,548.59
Testing expenses	7,080,286.54	9,481,487.27
Travelling expenses	5,828,562.16	3,743,315.41
Other	21,263,747.57	21,541,328.20
Total	644,197,062.47	498,513,896.82

50. Financial expenses

Item	Amount for the current period	Amount for the prior period
Interest expenses	389,648,394.41	352,621,952.04
Less: Interest income	59,383,695.10	58,979,679.81
Add: Foreign exchange losses	270,405.92	11,112,318.01
Add: Service charge and other	4,710,123.93	7,166,202.94
Total	335,245,229.16	311,920,793.18

51. Other Income

Source of other income	Amount for the current period	Amount for the prior period	Amount included in current non recurring profit and loss
Government grants	558,361,234.21	393,270,804.63	558,361,234.21
Other	262,786.32	43,380.17	262,786.32
Total	558,624,020.53	393,314,184.80	558,624,020.53

52. Investment income

Item	Amount for the current period	Amount for the prior period
Long-term equity investment gains based on equity method	27,581,994.31	-6,120,725.12
Investment income from disposal of long-term equity investment	4,562,592.03	44,481,194.86
Investment income from disposal of held-for-trading financial assets	830,239.73	4,827,762.22
Other	-18,459,939.57	17,780,288.76
Total	14,514,886.50	60,968,520.72

53. Gains (losses) from changes in fair values

Sources of gains (losses) from changes in fair values	Amount for the current period	Amount for the prior period
Held-for-trading financial assets	-175,464.22	414,840.18

54. Credit impairment losses

Item	Amount for the current period	Amount for the prior period
Credit impairment losses of notes receivable	41,147,062.46	-15,429,535.40
Credit impairment losses of accounts receivable	-361,015,503.94	-317,559,411.33
Credit impairment reverses (losses) of other receivables	-10,660,979.99	2,831,979.09
Credit impairment losses of long-term receivables	2,463,092.09	-5,753,859.03
Credit impairment losses of non-current assets due within one year	-15,248,502.88	
Total	-343,314,832.26	-335,910,826.67

55. Impairment losses of assets

Item	Amount for the current period	Amount for the prior period
Losses on inventory devaluation	-164,345,112.04	-134,840,176.17
Long-term equity investment impairment loss	-33,396,425.15	
Total	-197,741,537.19	-134,840,176.17

56. Asset disposal income

Item	Amount for the current period	Amount for the prior period	Amount included in current non recurring profit and loss
Income from disposal of fixed assets	34,432,634.00	5,189,719.48	34,432,634.00

57. Non-operating income

Item	Amount for the current period	Amount for the prior period	Amount included in current non recurring profit and loss
Fines and confiscations	13,234,669.29	4,690,532.66	13,234,669.29
Government subsidies	41,200.00	50,200.00	41,200.00
Payment unable to be made and other	3,649,629.52	4,985,963.23	3,649,629.52
Total	16,925,498.81	9,726,695.89	16,925,498.81

58. Non-operating expenses

Item	Amount for the current period	Amount for the prior period	Amount included in current non recurring profit and loss
Losses on disposal of non-current assets	1,051,596.72		1,051,596.72
Donation expenses	6,795,777.00	8,200,727.88	6,795,777.00
Compensation expenditures	203,579.39	1,989,302.95	203,579.39
Other	201,925.77	700,976.98	201,925.77
Total	8,252,878.88	10,891,007.81	8,252,878.88

59. Income tax expenses

(1) Details of Income tax expenses

Item	Amount for the current period	Amount for the prior period
Current income tax expenses	48,949,135.09	100,652,927.63
Deferred income tax expenses	-78,040,648.38	-81,115,932.76
Total	-29,091,513.29	19,536,994.87

(2) Reconciliation of income tax expenses to the accounting profit

Item	Amount for the current period
Total profit	47,834,900.47
Income tax expense calculated based on statutory/applicable tax rate	11,958,725.12
Influence of application of different tax rates by subsidiaries	10,423,274.19
Impact of non-deductible costs, expenses and losses	9,625,694.72
Impact of additional deduction of R&D expenses	-92,488,836.33
Impact of using deductible temporary differences or deductible losses for which no deferred income tax assets was recognized for the prior periods	31,389,629.01
Income tax expenses	-29,091,513.29

60. Notes to Consolidated Cash Flow Statement Items

(1) Other cash receipts relating to operating activities

Item	Amount for the current period	Amount for the prior period
Government subsidies	469,699,141.82	359,729,008.25
Receivables and payments and other	105,914,783.50	1,565,031.01
Total	575,613,925.32	361,294,039.26

(2) Other cash payments relating to operating activities

Item	Amount for the current period	Amount for the prior period
R&D expenses	76,375,412.58	107,311,836.70
Office expense	84,233,088.83	46,302,119.51
Travelling expenses	48,770,248.80	20,875,034.08
Marketing expenses	21,249,383.03	15,084,919.26
Agency expenses	10,982,179.68	23,406,473.70
Repairing expenses	8,387,590.41	13,524,551.78
Bidding expenses	1,366,992.84	2,683,300.80
Warranty and after sale expenses	7,426,312.28	5,065,167.49
Receivables and payments and other	336,457,087.88	32,946,069.80
Total	595,248,296.33	267,199,473.12

(3) Other cash receipts relating to investing activities

Item	Amount for the current period	Amount for the prior period
Loan repayment of related party funds		40,000,000.00
Interest income and other		40,833,449.84
Cash and cash equivalents by acquiring subsidiaries	323,217.73	
Total	323,217.73	80,833,449.84

(4) Other cash payments relating to investing activities

Item	Amount for the current period	Amount for the prior period
Net cash payment for disposal of subsidiaries and other business units	1,926,364.40	

(5) Other cash receipts relating to financing activities

Item	Amount for the current period	Amount for the prior period
Subscription for equity incentive	27,622,519.05	
Loans from non-financing institute		261,525,000.00
Disposal of repurchased ESOP		180,200,682.25
Recovery of guarantees for acceptance bill		42,365,020.19
Total	27,622,519.05	484,090,702.44

(6) Other cash payments relating to financing activities

Item	Amount for the current period	Amount for the prior period
Private placement fee	37,756,953.45	
Deposit guarantees for acceptance bill	500,944,581.42	
Return void restricted share		121,045,849.24
Loans from non-financing institute	360,196,959.32	251,938,651.63
The consideration paid for the acquisition of minority shareholders' equity	18,500,000.00	
Total	917,398,494.19	372,984,500.87

61. Supplementary Information about Cash Flow Statement

(1) Supplementary information about of cash flow statement

Item	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	76,926,413.76	146,903,931.26
Add: Impairment of assets	197,741,537.19	134,840,176.17
Provision for credit losses	343,314,832.26	335,910,826.67
Fixed assets and right-of-use assets depreciation	730,749,734.10	553,355,294.97
Amortization of intangible assets	74,183,202.52	46,983,421.41
Long-term deferred expenses amortization	4,905,616.37	7,173,322.70
Gains on disposal of fixed assets, intangible assets and other long-term assets	-34,432,634.00	-5,189,719.48
Fixed asset scrapping losses.	1,051,596.72	
Losses (gains) from changes in fair value	175,464.22	-414,840.18
Financial expenses	381,477,242.68	304,754,590.24
Investment income	-14,514,886.50	-60,968,520.72
Decrease in deferred income tax assets	-79,159,196.86	-81,165,579.12
Increase in deferred income tax liabilities	1,118,548.48	49,646.36
Increase in inventories	-1,095,351,782.88	717,565,834.10
Increase in operating receivables	-2,370,954,617.99	-1,803,391,029.04
Increase in operating payables	3,651,415,268.26	514,497,387.50
Other	-810,436,305.21	-125,950,911.42
Net cash flows from operating activities	1,058,210,033.12	684,953,831.42
2. Significant investing and financing activities not involving cash receipts and payments		
Conversion of debt into capital	213,695,574.96	
Convertible corporate bonds due within 1 year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	9,439,103,239.24	2,437,055,743.03
Less: Opening balance of cash	2,437,055,743.03	2,677,963,153.23
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net Increase (decrease) in cash and cash equivalents	7,002,047,496.21	-240,907,410.20

(2) Net cash paid for obtaining subsidiaries and other business units during the current year

Item	Amount
Cash or cash equivalents paid for the business combination in this year	
Including: Tianjin Hengtian	
Less: Cash and cash equivalents held by the Company on the acquisition date	323,217.73
Including: Tianjin Hengtian	323,217.73
Add: Cash and cash equivalents paid in the current year for business combination occurred in the previous period	
Net cash paid for obtaining the subsidiary	-323,217.73

(3) Constituents of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	9,439,103,239.24	2,437,055,743.03
Including: Cash on hand	198,023.52	214,929.76
Bank deposit for payment at any time	9,436,471,886.18	2,436,840,813.27
Other monetary capital for payment at any time	2,433,329.54	
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	9,439,103,239.24	2,437,055,743.03

62. Assets with Restriction in Ownership or Use Rights

Item	Book value at the end of the current reporting period	Cause of restriction
Cash and bank balances	1,945,947,842.23	Including: RMB1,726,006,162.98 is guaranteed, RMB219,662,040.00 is pledged for financing, RMB279,639.25 is judicially frozen
Held-for-trading financial assets	30,578,783.33	Pledged for financing
Receivables for financing	381,230,093.18	Pledged for financing
Accounts receivable	336,391,761.00	Pledged for financing
Fixed assets	1,166,326,274.26	Mortgaged for financing
Intangible assets	235,698,177.35	Mortgaged for financing
Fixed assets	364,982,106.87	Pledged for financing
Total	4,461,155,038.22	/

63. Monetary Items of Foreign Currencies

Items	Balance in foreign currency at the end of the reporting period	Exchange rate for conversion	Balance of RMB converted at the end of the reporting period
Cash and bank balances			326,421,999.39
Including: USD	50,794,682.34	6.3757	323,851,656.19
JPY	6,729,114.00	0.0554	372,893.85
EUR	146,072.09	7.2197	1,054,596.67
SGD	242,237.58	4.7179	1,142,852.68
Accounts receivable			411,891,518.00
Including: USD	63,044,880.01	6.3757	401,955,241.50
EUR	1,376,272.77	7.2197	9,936,276.50
Other receivables			268,696.52

Items	Balance in foreign currency at the end of the reporting period	Exchange rate for conversion	Balance of RMB converted at the end of the reporting period
Including: USD	42,000.00	6.3757	267,779.40
JPY	16,550.00	0.0554	917.12
Short-term borrowings			51,005,600.00
Including: USD	8,000,000.00	6.3757	51,005,600.00
Other payables			9,597,555.08
Including: USD	1,503,113.60	6.3757	9,583,401.38
SGD	3,000.00	4.7179	14,153.70

64. Government Grants

(1) Details of government grants included in profit or reduced related costs in the current period

Item	Category (Related to income/Related to assets)	Amount	Financial Report Items	Amount booked in current profit and loss
USA epidemic relief subsidy	Related to income	5,226,239.47	Other Income	5,226,239.47
Nantong Tongzhou District new energy industry transformation support fund	Related to income	3,980,000.00	Other Income	3,980,000.00
Subsidies for key R & D plans (major scientific and technological innovation projects) of Shandong Province in 2020	Related to income	2,550,000.00	Other Income	2,550,000.00
Policy support funds for "double recruitment and double introduction" in Jiangshan Town, Laixi City	Related to income	9,450,000.00	Other Income	9,450,000.00
Tangshan industrial support fund	Related to income	21,315,150.00	Other Income	21,315,150.00
Special award and subsidy fund for industrial development in Hebei Province	Related to income	7,000,000.00	Other Income	7,000,000.00
Lujiang scientific research support fund	Related to income	44,343,200.00	Other Income	44,343,200.00
Guangxi Supporting fund for scientific and technical innovation	Related to income	4,000,000.00	Other Income	4,000,000.00
2021 Liuzhou Automobile whole industry chain industry support fund	Related to income	62,450,000.00	Other Income	62,450,000.00
Liuzhou enterprise support fund in 2021	Related to income	2,400,000.00	Other Income	2,400,000.00
Subsidy for preliminary work of Liuzhou GuoXuan high tech production base with an annual output of 10gwh power battery	Related to income	2,000,000.00	Other Income	2,000,000.00

Item	Category (Related to income/Related to assets)	Amount	Financial Report Items	Amount booked in current profit and loss
Award and subsidy funds for the development of new energy industry in Yichun Economic Development Zone.	Related to income	73,236,000.00	Other Income	73,236,000.00
Major special subsidy funds for science and technology in Anhui Province in 2021	Related to income	1,000,000.00	Other Income	1,000,000.00
Anhui Industrial Internet policy award and subsidy fund in 2021.	Related to income	1,000,000.00	Other Income	1,000,000.00
Industrial support fund of GuoXuan battery technology company of Hefei Xinzhan District Trade Development Bureau	Related to income	100,000,000.00	Other Income	100,000,000.00
Industrial policy subsidy and financial increment contribution reward of Hefei Xinzhan District . .	Related to income	5,000,000.00	Other Income	5,000,000.00
Anhui Province Industrial intelligent optimization system state allocated funds	Related to income	1,500,000.00	Other Income	1,500,000.00
Hefei Xinzhan district "three important and one innovation" innovation platform award and subsidy fund.	Related to income	3,500,000.00	Other Income	3,500,000.00
Baohe Economic technological Development Area Industrial Assistance Fund	Related to income	6,229,776.00	Other Income	6,229,776.00
Tongcheng Economic-technological Development Area Industrial Assistance Fund	Related to income	100,000,000.00	Other Income	100,000,000.00
Subtotal of other government grants	Related to income	16,343,315.82	Other Income/ Non-operating income	16,343,315.82
Transformed from deferred income.	Related to assets	85,837,552.92	Other Income	85,837,552.92
Total		558,361,234.21		558,361,234.21

(2) Details of government grants included in deferred income

Item	Category (Related to income/Related to assets)	Opening balance	Increase amount	Amount c into profit or loss or offset relevant costs in the current period	Other changes	Closing balance	Amount booked in current profit and loss
Fixed assets investment subsidy	Related to assets	6,199,505.38		1,083,489.00		5,116,016.38	Other Income
Industrial revitalization and technological transformation projects	Related to assets	4,388,627.63		3,264,313.32		1,124,314.31	Other Income
Special fund for tackling key technologies of lithium ion battery and key systems	Related to assets	236,224.90		59,867.52		176,357.38	Other Income
Hefei 2014 provincial strategic emerging industry development guidance fund project	Related to assets	6,290,000.11		1,480,000.00		4,810,000.11	Other Income
Xinzhan economic and Trade Development Bureau strengthened the core competitiveness of manufacturing industry in 2016	Related to assets	59,731,182.39		9,940,170.92		49,791,011.47	Other Income
Key special subsidies for "new energy vehicles" of the high technology R&D center of the Ministry of science and technology	Related to assets	45,520,550.89		45,520,550.89			Other Income
Subsidy fund for 2016 national intelligent standardization application project of Hefei EITC	Related to assets	23,117,016.12		3,852,835.96		19,264,180.16	Other Income

Item	Category (Related to income/Related to assets)	Opening balance	Increase amount	Amount c into profit or loss or offset relevant costs in the current period	Other changes	Closing balance	Amount booked in current profit and loss
2017 national new energy vehicle key project high safety and high specific energy lithium ion	Related to assets	9,005,910.80		8,609,756.43		396,154.37	Other Income
Hefei Xinzhan district "three important and one innovation" innovation platform award and subsidy fund in 2017	Related to assets	14,795,580.00		2,465,930.00		12,329,650.00	Other Income
Xinzhan economic and trade bureau promotes the development of new industrialization and lithium ion power battery production line	Related to assets	3,000,000.00		500,000.00		2,500,000.00	Other Income
Xinzhan economic and trade bureau promotes the automation of new industrialization standardized ternary cell production line	Related to assets	6,000,000.00		1,000,000.00		5,000,000.00	Other Income
Hefei Industrial Development subsidy fund in the second half of 2018	Related to assets	3,000,000.00		500,000.00		2,500,000.00	Other Income
Key projects of "solid waste recycling" in the national key R & D plan	Related to assets	1,952,100.00	1,064,100.00		1,119,600.00	1,896,600.00	
Anhui Province will support new projects with "Three Emphases and one innovation"	Related to assets	1,135,490.65		136,810.00		998,680.65	Other Income

Item	Category (Related to income/Related to assets)	Opening balance	Increase amount	Amount c into profit or loss or offset relevant costs in the current period	Other changes	Closing balance	Amount booked in current profit and loss
Fixed asset investment subsidies	Related to assets	10,088,491.23		519,578.95		9,568,912.28	Other Income
Received from the financial system of Anhui Provincial Department of science and technology	Related to assets	1,000,000.00		666,666.66		333,333.34	Other Income
Fixed assets support subsidy	Related to assets	8,583,333.33		1,000,000.00		7,583,333.33	Other Income
Subsidies from ECIT	Related to assets	3,692,085.00		471,330.00		3,220,755.00	Other Income
Construction of three major and one innovation projects	Related to assets	4,664,104.17		589,150.00		4,074,954.17	Other Income
Return of supporting infrastructure	Related to assets	3,067,445.92		183,131.11		2,884,314.81	Other Income
Inclusive award and subsidy funds for technical equipment investment of industrial enterprises	Related to assets	2,100,000.00		300,000.00		1,800,000.00	Other Income
Fixed assets support subsidy	Related to assets	10,400,000.00		1,200,000.00		9,200,000.00	Other Income
Special fund for intelligent switchgear	Related to assets	6,033,286.98		779,333.30		5,253,953.68	Other Income
Equipment technical transformation project	Related to assets	1,032,213.48		133,333.30		898,880.18	Other Income
Subsidies for promotion of new energy vehicles	Related to assets	2,280,000.00		1,560,000.00		720,000.00	Other Income
Financial incentive fund	Related to assets	8,245,300.00			8,245,300.00		
Return of supporting infrastructure	Related to assets	7,670,000.00	2,416,000.00	21,305.56		10,064,694.44	Other Income
Total		253,228,448.98	3,480,100.00	85,837,552.92	9,364,900.00	161,506,096.06	

VI. Changes in Consolidation Scope

1. *Business combination of enterprises not under the same control*

(1) Business combination of enterprises not under the same control in the current period

Name of the acquiree	Time of equity acquisition	Equity acquisition cost	Equity acquisition ratio	Equity acquisition method	Date of acquisition	Basis for determining the acquisition date	Income of acquiree from acquisition data to the end of the reporting period	Net profit of acquiree from acquisition data to the end of the reporting period
			(%)					
Tianjin Hengtian. .	May 24th, 2021	183,483,033.78	63.50	Debt to equity swap	May 24th, 2021	Obtaining actual control of the purchased party	14,611,863.17	-33,588,898.08

(2) Cost of business combination and goodwill

Cost of business combination	Tianjin Hengtian
— Cash	
— Fair value of assets other than cash	
— Fair value of debts issued or ass	
— Fair value of equity securities issued	
— Fair value of contingent consideration	
— Fair value of equities held before the acquisition date on the acquisition date	
— Others	183,483,033.78
Total Cost of business combination	183,483,033.78
Less: Fair value of identifiable net assets acquired	115,986,885.09
Goodwill/difference between the lower combination costs and the fair value of identifiable net assets	67,496,148.69

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

	Tianjin Hengtian	
Item	Fair value on the date of acquisition	Book value on the date of acquisition
Assets:		
Cash and bank balances	323,217.73	323,217.73
Accounts receivable	134,412,053.05	134,412,053.05
Prepayments	2,498,562.18	2,498,562.18
Other receivables	63,809,748.93	63,809,748.93
Inventories	18,938,334.10	18,938,334.10
Other current assets	12,479,205.05	12,479,205.05
Fixed assets	227,000,506.19	222,918,182.28
Intangible assets	145,920,457.95	109,981,024.33
Long-term deferred expenses	2,344,306.34	2,344,306.34
Liabilities:		
Accounts payable	74,779,046.53	74,779,046.53
Other payables	24,156,678.37	24,156,678.37
Other current liabilities	4,189,088.22	4,189,088.22
Long-term borrowings	315,013,166.22	315,013,166.22

Item	Tianjin Hengtian	
	Fair value on the date of acquisition	Book value on the date of acquisition
Long-term payables	928,636.60	928,636.60
Deferred tax liabilities	6,003,263.63	
Net assets	182,656,511.95	148,638,018.05
Less: Minority equity	66,669,626.86	54,252,876.59
Net assets acquired	115,986,885.09	94,385,141.46

Note: On March 31, 2021, the Company signed the Debt-for-equity Swap Agreement with Tianjin Hengtian New Energy Vehicle Research Institute Co., Ltd and Beijing Hengtianxinneng New Energy Vehicle Technology Co., Ltd. The agreement stipulates that the Company will increase the capital of Tianjin Hengtian with its creditor's rights of RMB213,695,574.96 held by Tianjin Hengtian. After the capital increase is completed, the company will hold 63.50% equity of Tianjin Hengtian and become its controlling shareholder. Tianjin Hengtian completed the industrial and commercial modification procedures and the reorganization of the board of directors on May 24, 2021. At the same time, the company and its original sole shareholder Beijing Hengtianxinneng New Energy Vehicle Technology Co., Ltd. have completed the handover procedures of corresponding property rights.

2. *Disposal of a Subsidiary*

Loss of control of a subsidiary due to a single disposal of investment in the subsidiary

Item	Shanghai Gotion Wuyang Shipping Technology Co., Ltd	Hefei Guorui New Energy Automobile Technology Co., Ltd	Hefei Xuanyi Investment Management Co., Ltd
Proceeds from disposal	2,200,000.00	13,000,000.00	4,500,000.00
Disposal proportion (%)	51.00%	55.00%	100.00%
Method of disposal	Sale	Sale	Sale
Time of losing control	Nov 17th, 2021	Aug 31th, 2021	Dec 1st, 2021
Basis for establishing the time of losing control	Transfer of control	Transfer of control	Transfer of control
The difference between the disposal consideration and the share that corresponding to the disposal of the subsidiary's net assets at the consolidated financial statement level	993,848.62	3,467,731.67	101,011.74

Other notes:

(1) In September 2021, the subsidiary Hefei Gotion High-tech Power Energy Co., Ltd. signed the equity transfer agreement with Hu Jianjun. Hefei Gotion high-tech power energy Co., Ltd. transferred its 51% equity of Shanghai GuoXuan Wuyang Shipping Technology Co., Ltd. to Hu Jianjun, and the handover procedures of corresponding property rights were completed in November 2021.

(2) In July 2021, the subsidiary Hefei Gotion High-tech Power Energy Co., Ltd. signed the equity transfer agreement with Anhui Chaohu Economic Development Zone Chengxin construction investment (Group) Co., Ltd., and the subsidiary Hefei Gotion high-tech power energy Co, Ltd transferred its 55.00% equity of Hefei Guorui New Energy Automobile Technology Co., Ltd. (accounting for 65.00% of the actual capital contribution of each shareholder on the delivery date) to Anhui Chaohu Economic Development Zone Chengxin construction investment (Group) Co., Ltd., and the handover procedures of corresponding property rights were completed in August 2021.

(3) In November 2021, the subsidiary Hefei Gotion High-tech Power Energy Co., Ltd. signed the equity transfer agreement with Nanjing Gotion Holding Group Co., Ltd. the subsidiary Hefei Gotion high-tech power energy Co., Ltd. transferred 100.00% of the equity of Hefei Xuanyi Investment Management Co., Ltd. held by it to Nanjing Gotion Holding Group Co., Ltd. and the handover procedures of corresponding property rights were completed in December 2021.

3. Changes of Consolidation Scope due to Other Causes

(1) The subsidiaries newly established

Company Name	Time of establishment	Registered capital	Amount of contribution
Jiangsu Gotion New Energy Technology Co., Ltd.	2021-06-25	1 billion	Gotion High-Tech Co., Ltd. holds 100.00%
Feidong Gotion New Material Co., Ltd	2021-04-30	8 billion	Gotion High-Tech Co., Ltd. holds 100.00%
Hefei Gotion Recycling Technology Co., Ltd	2021-03-09	50 million	Feidong Gotion New Material Co., Ltd holds 100.00%
Hefei Gotion New Material Technology Co., Ltd	2021-03-09	50 million	Feidong Gotion New Material Co., Ltd holds 100.00%
Neimenggu Gotion Zero Carbon Technology Co., Ltd	2021-08-02	1 billion	Feidong Gotion New Material Co., Ltd holds 100.00%
Jiangxi Gotion New Energy Technology Co., Ltd	2021-04-22	5 billion	Gotion High-Tech Co., Ltd. holds 100.00%
Yichun Gotion Battery Co., Ltd	2021-04-23	1 billion	Jiangxi Gotion New Energy Technology Co., Ltd holds 100.00%
Yichun Gotion Lithium Industry Co., Ltd.	2021-06-28	2 billion	Jiangxi Gotion New Energy Technology Co., Ltd holds 55.00%, Yichun Xinrui Ronghe investment partnership (limited partnership) holds 35.00%, Yichun Yixuan investment partnership (limited partnership) holds 10%
Fengxin Gotion Lithium Industry Co., Ltd.	2021-06-29	50 million	Yichun Gotion Lithium Industry Co., Ltd holds 100.00%
Yifeng Gotion Lithium Industry Co., Ltd.	2021-06-29	50 million	Yichun Gotion Lithium Industry Co., Ltd holds 100.00%
Tongcheng Gotion New Energy Technology Co., Ltd	2021-10-15	1 billion	Hefei Gotion High-tech Power Energy CO., Ltd holds 100.00%
Beijing Xuanyi New Energy Technology Co., Ltd	2021-09-02	2 million	Hefei Gotion High-tech Power Energy CO., Ltd holds 100.00%
Hefei Gotion Battery Technology Co., Ltd	2021-07-23	1 billion	Hefei Gotion High-tech Power Energy CO., Ltd holds 95.00%, Jiangsu Gotion New Energy Technology Co., Ltd holds 5.00%
Hefei Gotion Kehong New Energy Technology Co., Ltd	2021-08-19	50 million	Hefei Gotion High-tech Power Energy CO., Ltd holds 90%, Hefei Yaoke equity investment partnership (limited partnership) holds 10%
Yichun Gotion Mining Co., Ltd	2021-04-22	1 billion	Jiangxi Gotion New Energy Technology Co., Ltd holds 51%, Yichun Mining Co., Ltd. holds 49%
Anhui Fumo New Material Technology Co., Ltd	2021-06-28	50 million	Gotion High-Tech Co., Ltd. holds 70%, Hefei Fumo equity investment partnership (limited partnership) holds 20% and Lai Xiaoyan holds 10%

(2) Absorption and merger

① In August, 2021, Jiangsu Dongyuan Electrical Group Co., Ltd absorbed its subsidiary Nantong Taifu Electric Appliance Manufacturing Co., Ltd, and Nantong Taifu Electric Appliance Manufacturing Co., Ltd finished procedures for cancellation of registration in the same month.

② In July, 2021, Nantong Gotion New Energy Technology Co., Ltd absorped its subsidiary Nantong Dongyuan Electric Power Intelligent Equipment Co., Ltd, and Nantong Dongyuan Electric Power Intelligent Equipment Co., Ltd finished procedures for cancellation of registration in the same month.

VII. Interest in Other Entities

1. Equity in Subsidiaries

(1) Composition of the corporate group

Name Of Subsidiary	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Suzhou Dongyuan Tianli Electric Appliance Co., Ltd.	Suzhou, Jiangsu	Suzhou, Jiangsu	Industrial production	—	100	Establishment
Nantong Asitong Electric Appliance Manufacturing Co., Ltd.	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	100	Establishment
Jiangsu Dongyuan Electrical Group Co., Ltd.	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	99.82	0.18	Establishment
Nantong Gotion New Energy Technology Co., Ltd.	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	100	Establishment
Hefei Gotion High-tech Power Energy CO., Ltd	Hefei, Anhui	Hefei, Anhui	Industrial production	100	—	Reverse purchase
Anhui Gotion New Energy Vehicle Technology Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100	Reverse purchase
Shanghai Xuanyi New Energy Development Co., Ltd.	Shanghai	Shanghai	Research and Sale	—	100	Reverse purchase
Nanjing Gotion Battery Co., Ltd.	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production	—	100	Reverse purchase
Hefei Gotion Battery Material Co., Ltd	Hefei, Anhui	Hefei, Anhui	Industrial production	—	95.23	Reverse purchase
Shanghai Gotion New Energy Co., Ltd	Shanghai	Shanghai	Research	—	100	Establishment
Qingdao Gotion Battery Co., Ltd.	Qingdao, Shandong	Qingdao, Shandong	Industrial production	—	100	Establishment
Tangshan Gotion Battery Co., Ltd.	Tangshan, Hebei	Tangshan, Hebei	Industrial production	—	100	Establishment

Name Of Subsidiary	Location of operation	Place of registration	Nature of business	Shareholding ratio (%) Direct	Indirect	Acquisition Method
Gotion New Energy (Lujiang) Co., Ltd	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100	Establishment
Gotion High-tech (USA) Co., Ltd.	USA	California	Research	—	100	Reverse purchase
Japan Gotion Co., Ltd . . .	Japanese	Ibaraki	Research	—	100	Establishment
Singapore Gotion Co., Ltd.	Singapore	Singapore	Research	—	100	Establishment
Hefei Gotion Precision Coating Material Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100	Establishment
Shanghai Gotion New Energy (Hefei) Energy Storage Technology Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100	Establishment
Nanjing Gotion New Energy Co., Ltd	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production	—	100	Establishment
Hefei Gotion Battery Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100	Establishment
Guoxuan High-tech (HK) Limited	Hongkong	Hongkong	Research	100	—	Establishment
Nanjing Gotion Battery Research Institute Co., Ltd.	Nanjing, Jiangsu	Nanjing, Jiangsu	Research	—	100	Establishment
Hefei Jiachi Technology Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production	—	88.89	Establishment
Liuzhou Gotion Battery Co., Ltd.	Liuzhou, Guangxi	Liuzhou, Guangxi	Industrial production		55.96	Establishment
Jiangsu Gotion New Energy Technology Co., Ltd.	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production	100.00		Establishment
Feidong Gotion New Material Co., Ltd	Hefei, Anhui	Hefei, Anhui	Industrial production	100.00		Establishment
Hefei Gotion Recycling Technology Co., Ltd . . .	Hefei, Anhui	Hefei, Anhui	Service		100.00	Establishment
Hefei Gotion New Material Technology Co., Ltd . . .	Hefei, Anhui	Hefei, Anhui	Research		100.00	Establishment
Neimenggu Gotion Zero Carbon Technology Co., Ltd.	Wuhai, Neimeng	Wuhai, Neimeng	Industrial production		100.00	Establishment
Jiangxi Gotion New Energy Technology Co., Ltd.	Yichun, Jiangxi	Yichun, Jiangxi	Industrial production	100.00		Establishment
Yichun Gotion Battery Co., Ltd.	Yichun, Jiangxi	Yichun, Jiangxi	Industrial production		100.00	Establishment
Yichun Gotion Lithium Industry Co., Ltd	Yichun, Jiangxi	Yichun, Jiangxi	Mineral mining		55.00	Establishment
Fengxin Gotion Lithium Industry Co., Ltd	Yichun, Jiangxi	Yichun, Jiangxi	Mineral mining		55.00	Establishment
Yifeng Gotion Lithium Industry Co., Ltd	Yichun, Jiangxi	Yichun, Jiangxi	Mineral mining		55.00	Establishment

Name Of Subsidiary	Location of operation	Place of registration	Nature of business	Shareholding ratio (%) Direct	Indirect	Acquisition Method
Tongcheng Gotion New Energy Co., Ltd	Anqing, Anhui	Anqing, Anhui	Industrial production		100.00	Establishment
Yichun Gotion Mining Co., Ltd.	Yichun, Jiangxi	Yichun, Jiangxi	Mineral mining		51.00	Establishment
Anhui Fumo New Material Technology Co., Ltd	Hefei, Anhui	Hefei, Anhui	Industrial production	70.00		Establishment
Beijing Xuanyi new energy Co., Ltd.	Fengtai, Beijing	Fengtai, Beijing	Research		100.00	Establishment
Hefei Gotion Battery Technology Co., Ltd	Hefei, Anhui	Hefei, Anhui	Industrial production		100.00	Establishment
Hefei Gotion Kehong New Energy Technology Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production		90.00	Establishment
Tianjin Hengtian New Energy Vehicle Research Institute Co., Ltd	Binhai, Tianjin	Binhai, Tianjin	Industrial production		63.50	Business combination not involving enterprises under common control

(2) Significant non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio by minority shareholders	Profit or loss attributable to minority interests for the current period	Dividends declared for distribution to minority shareholders for the current period	Closing balance of minority interest
Liuzhou Gotion Battery Co., Ltd.	44.04%	4,759,829.45		426,807,934.62
Hefei Gotion Battery Material Co., Ltd.	4.77%	-7,742,014.13		117,710,261.53

(3) Key financial information of significant non-wholly owned subsidiaries

Item	Closing balance/Amount for the current period		Opening balance/Amount for the prior period	
	Liuzhou Gotion Battery Co., Ltd	Hefei Gotion Battery Material Co., Ltd	Liuzhou Gotion Battery Co., Ltd	Hefei Gotion Battery Material Co., Ltd
Current Assets	1,384,628,272.03	4,201,785,924.76	61,638,313.48	3,760,950,239.84
Non-current Assets	1,199,012,453.44	772,171,073.16	71,497,895.56	717,090,947.30
Total Assets	2,583,640,725.47	4,973,956,997.92	133,136,209.04	4,478,041,187.14
Current liabilities	1,020,569,739.12	2,072,822,975.43	59,930,070.47	1,317,991,371.78
Non-current liabilities	594,000,000.00	435,481,288.12		533,554,112.06
Total liabilities	1,614,569,739.12	2,508,304,263.55	68,000,000.00	1,851,545,483.84
Operating income	407,662,060.72	1,611,815,660.76	22,025,396.20	727,985,999.07
Net profit	10,807,232.59	-162,170,383.91	5,206,138.57	36,037,763.15
Comprehensive income	10,807,232.59	-162,170,383.91	5,206,138.57	36,037,763.15

2. Changes in the share of owners' equity in subsidiaries and still controls the transactions of subsidiaries.

(1) In April 2021, the subsidiary Jiangsu Dongyuan Electrical Group Co., Ltd. signed the equity transfer agreement on Nantong Aston Electrical Manufacturing Co., Ltd. with Nantong Zisheng Technology Co., Ltd., and Nantong Zisheng Technology Co., Ltd. gave its 31.34% equity of Nantong Aston Electrical Manufacturing Co., Ltd. to Jiangsu Dongyuan Electrical Group Co., Ltd. at the price of RMB18.5 million. After this transfer, Nantong Aston Electric Appliance Manufacturing Co., Ltd. was changed to a wholly-owned subsidiary of Jiangsu Dongyuan Electrical Group Co., Ltd., and the corresponding industrial and commercial change registration procedures were completed on June 30, 2021.

(2) In October 2021, the subsidiary Hefei Gotion High-tech Power Energy Co., Ltd. signed a capital increase agreement with Guangxi Guangtou Dongcheng Lithium Battery Industry Fund Partnership (Limited Partnership), Guangxi Liuzhou Dongcheng investment and Development Group Co., Ltd. and Liuzhou Gotion Battery Co., Ltd, The registered capital of the company is changed from RMB300 million (RMB200 million contributed by Hefei Gotion High-tech Power Energy Co., Ltd., accounting for 66.67% of the capital contribution; RMB100 million contributed by Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd., accounting for 33.33% of the capital contribution) to RMB474.074047 million (among them, Hefei Gotion high-tech power energy Co., Ltd. contributed RMB265,277,778.00, accounting for 55.96% of the capital contribution; Guangxi Guangtou Dongcheng Lithium Industry Fund Partnership (limited partnership) contributed RMB108,796,269.00, accounting for 22.95% of the capital contribution; Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd. invested RMB100 million, accounting for 21.09% of the capital contribution). As of the issuance date of this report, Liuzhou Gotion Battery Co., Ltd. has not completed the industrial and commercial modification registration procedures.

3. Equity in Joint Ventures or Associates

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%) Direct	Indirect	Accounting method
Hefei Xingyuan New Energy Material Co., Ltd.	Lujiang, Anhui	Lujiang, Anhui	Industrial production	—	26.92	Equity method
MCC Ruimu New Energy Technology Co., Ltd	Tangshan, Hebei	Tangshan, Hebei	Industrial production	—	30.00	Equity method
Beijing Fuweisi Oil and Gas Technology Co., Ltd.	Beijing	Beijing	Industrial production	—	40.00	Equity method
Anhui Tongguan copper foil Group Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production	—	3.50	Equity method
Jiangxi Yunwei New Material Co., Ltd	Yichun, Jiangxi	Yichun, Jiangxi	Industrial production		22.00	Equity method
Huabei Aluminum New Material Technology Co., Ltd.	Baoding, Hebei	Baoding, Hebei	Industrial production		10.00	Equity method

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Accounting method
				Direct	Indirect	
Litong Energy Technology Co., Ltd.	Taiwan	Taiwan	Industrial production	—	20.00	Equity method
Shanghai Gotion Wuyang Shipping Technology Co., Ltd.	Shanghai	Shanghai	Industrial production		17.23	Equity method
Shanghai Electric GuoXuan New Energy Technology Co., Ltd . . .	Shanghai	Shanghai	Industrial production	45.40		Equity method
Anhui Anwa New Energy Technology Co., Ltd . . .	Wuhu, Anhui	Wuhu, Anhui	Industrial production	7.20		Equity method
Anhui YiJiaNeng Digital Technology Co., Ltd . . .	Hefei, Anhui	Hefei, Anhui	Technology service		16.00	Equity method

VIII. Risks Associated with Financial Instrument

The Company is exposed to various financial risks in the ordinary course of business, mainly including: credit risk, liquidity risk, market risk, etc. The Company's management is fully responsible for the formulation of risk management objectives and policies, and takes responsibility for risk management objectives and policies. The objective of the Company's risk management is to identify and analysis risk, minimizing the adverse impact of financial risks without excessive influence on the company's competitiveness and resilience.

1. Credit risks

Credit risk refers to the risk that one party of the financial instruments fails to perform its obligations and causes the financial losses of the other party. Credit risk mainly related to notes receivables and accounts receivable, in order to control the risk, the Company takes the following measures:

(1) Bank deposit

The company's bank deposits are mainly deposited in state-owned holding banks, large and medium-sized listed banks and other commercial banks with high credit. There is no significant credit risk and no significant loss caused by default.

(2) Notes receivables and accounts receivables

The Company mainly trades with dealers, according to company credit policy, and adopts the way of delivery after the payments finished. For some group purchase business, it only deals with the reputable group clients, and continuously monitors the balance of notes receivables and accounts receivables, as a result, there is no collateral required, and credit risk management concentrates on the clients. The balance of notes receivables and accounts receivables are small till 31 December 2021. The Company does not hold any collateral or other credit enhancement for the balance of accounts receivables.

(3) Other receivable

The other receivables are mainly saving deposits involving infringement dispute, deposits and petty cash, employee business loan and so on. The Company manages other receivables and continuously monitors its balance, to ensure the Company not to face significant bad debt risks.

2. Liquidity risk

Liquidity risk refers to the risk of capital shortage when enterprise performs its obligations related to financial liabilities. The Company uses various financing methods such as bill clearing and bank loan to optimize the financing structure and maintain the balance between financing continuity and flexibility.

3. Market risk

Market risk is the fair value of financial instrument or future cash flow fluctuates due to the fluctuation of market price, and it mainly includes: interest rate risk, foreign exchange risk, etc.

(1) Interest rate risk

Interest rate risk refers to the fair value of financial instrument or future cash flow fluctuates due to the fluctuation of interest rate. The Company faces the risk of market interest rate change mainly related to the Company's borrowing limit.

(2) Foreign exchange risk

Foreign exchange risk arises from fluctuation in exchange rate, relevant to the assets and liabilities in foreign currency. The less import and export business happened, the lower impact of exchange rate fluctuation on company's operation.

IX. Fair Value Disclosure

1. The Financial Assets and Financial Liabilities Measured at Fair Value at the end of the Reporting Period

	Closing fair value			
Item	**Level 1**	**Level 1**	**Level 1**	**Total**
I. Continuous fair value measurement				
(I) Held-for-trading financial assets	22,807,009.25		30,578,783.33	53,385,792.58
1. Financial assets at fair value through profit or loss.	22,807,009.25		30,578,783.33	53,385,792.58
(1) Debt instruments investment				
(2) Equity instruments investment	22,807,009.25			22,807,009.25
(3) Structured deposit. . .			30,578,783.33	30,578,783.33

Item	Closing fair value Level 1	Level 1	Level 1	Total
2. Financial assets at fair value through profit or loss				
(1) Debt instruments investment				
(2) Equity instruments investment				
(II) Derivative financial assets				
(III) Receivables for financing			1,148,162,359.10	1,148,162,359.10
(IV) Other debt investment			4,462,990.00	4,462,990.00
(V) Other equity instrument investment	309,411,751.39		712,055,239.69	1,021,466,991.08
II. Total assets measured continuously at fair value	332,218,760.64		1,895,259,372.12	2,227,478,132.76
III. Total liabilities measured continuously at fair value				

2. Basis for determining the market price of continuous and non-continuous level 1 fair value measurement

Item	Fair value	Active market quotation Main market	Transaction price	Historical trading volume	Source
Continuous fair value measurement					
Other equity instrument investment:					
BAIC Langu New Energy Technology Co., Ltd	309,411,751.39	A-share market			http://www.cninfo.com.cn/
*STZhongtai	22,807,009.25	A-share market			http://www.cninfo.com.cn/
Total assets of continuous fair value	332,218,760.64				

3. The Third Level of Fair Value Measurement Item, the Valuation Techniques and Important Parameters Used

The structured deposit predict future cashflow is according to expected rate of return, the expected rate of return is the unexpected rate of return; Other debt investment, other Equity instrument investment and Receivables for financing are determined according to the best estimate.

X. Related Party Relationships and Transactions

1. Information on Parent Company of the Company

Name	Place of registration	Business nature	Registered capital	Percentage of the Company's equities held by the parent company	Ratio of voting right of the parent company in the Company	Final controller
Nanjing GuoXuan Holding Group Co., Ltd	Nanjing, Jiang	Commercial wholesale and retail	19,830,000.00	10.26	10.26	Li Zhen

Li Zhen and Li Chen, who acted in concert, directly held 103,276,150.00 shares and 28,472,398.00 shares of Gotion High-tech respectively, and controlled 170,751,887.00 shares of Gotion High-tech through Nanjing Gotion Holding Group Co., Ltd. Li Zhen and the person acting in concert total control 358,968,072.00 shares of Gotion High-tech, accounting for 18.17% of the total shares of Gotion High-tech. Therefore, Li Zhen is the actual controller of Gotion High-tech.

2. The largest shareholder of the Company

Volkswagen (China) Investment Co., Ltd. directly holds 440,630,983.00 shares of Gotion High-tech, accounting for 26.47% of the total shares of Gotion High-tech. According to the agreement on shareholders' agreement between Volkswagen (China) Investment Co., Ltd. and Zhuhai Gotion Trading Co., Ltd., Li Zhen and Li Chen on Gotion High-tech Co., Ltd. signed on May 28, 2020, Volkswagen China promises that within 36 months from the date when the relevant shares of the company involved in this non-public offering and share transfer are registered in the name of Volkswagen China or within a longer period determined by Volkswagen China itself. It will irrevocably give up the voting rights of some of its shares in the company, so that the voting rights proportion of Volkswagen China is at least 5% lower than that of the founding shareholders (Gotion holdings, Li Zhen and Li Chen, who acted in concert). That is, Volkswagen (China) Investment Co., Ltd. holds 13.17% or less of the voting rights of Gotion High-tech.

3. Information on the Subsidiaries of the Company

For details of the subsidiaries of the Company, see Note (VII)-1.

4. Information on the Joint Ventures and Associated Companies of the Company

For details of the subsidiaries of the Company, see Note (VII)-3.

Joint ventures and associates that had related party transactions with the Company in the current reporting period, or in the prior periods and formed balances are as follows:

Name of the associates or joint ventures	Relationship with the Company
Hefei Xingyuan New Energy Material Co., Ltd	The company holds 26.92% of its equity
MCC Ruimu New Energy Technology Co., Ltd	The company holds 30.00% of its equity
Shanghai Electric Gotion New Energy Technology Co., Ltd	The company holds 45.40% of its equity
Anhui Tongguan Copper Foil Co., Ltd.	The company holds 3.50% of its equity
Jiangxi Yunwei New Material Co., Ltd	The company holds 22.00% of its equity
Huabei aluminum New Material Technology Co., Ltd	The company holds 10.00% of its equity
Shanghai Gotion Wuyang Shipping Technology Co., Ltd	The company holds 17.23% of its equity
Litong Energy Technology Co., Ltd.	The company holds 20.00% of its equity
Beijing Fuweisi Oil and Gas Technology Co., Ltd	The company holds 40.00% of its equity
Anhui YiJiaNeng Digital Technology Co., Ltd	The company holds 18.00% of its equity

5. *Information on Other Related Parties*

Name	Relationship
Nascent Investment LLC	Company controlled by the actual controller's son
Gotion Holding Group Co., Ltd	Company controlled by actual controller
Hefei Aolai New Energy Vehicle Sales Co., Ltd	Company controlled by actual controller
Hefei Qirong International Village Real Estate Development Co., Ltd	Company controlled by actual controller
Anhui Minsheng Property Management Co., Ltd	Company controlled by actual controller
Anhui Tangchi Film and Television Culture Industry Co., Ltd	Company controlled by actual controller
Anhui Gotion New Energy Investment Co., Ltd	Company controlled by actual controller
Anhui Guolian Real Estate Co., Ltd	Company controlled by actual controller
Anhui Gotion New Energy Investment Co., Ltd	Company controlled by GuoXuan Holding Group Co., Ltd
Jiangsu Jiankang Automobile Co., Ltd.	Anhui GuoXuan New Energy Investment Co., Ltd. shares 11% and appoints directors
Lixin Electric Bus Co., Ltd.	Company controlled by actual controller
Tunchang Xinhai New Energy Bus Co., Ltd.	Company controlled by actual controller
Wenchang Avenue New Energy Bus Co., Ltd	Company controlled by actual controller
Huangshan Dadao New Energy Bus Co., Ltd	Company controlled by actual controller
Jingde Dadao New Energy Bus Co., Ltd	Company controlled by actual controller
Hebei Xinxuan Transportation Co., Ltd	Company controlled by actual controller
Anhui Xinda Road Transportation Co., Ltd	Company controlled by actual controller
Yingshang Dadao New Energy Bus Co., Ltd	Company controlled by actual controller
Taihe Dadao New Energy Bus Co., Ltd	Company controlled by actual controller

Name	Relationship
Shanghai Dajiang Network Technology Co., Ltd	Company controlled by actual controller
Shanghai Electric Gotion New Energy Technology (Suzhou) Co., Ltd	Subsidiary of Shanghai Electric GuoXuan
Anhui Guolian Real Estate Co., Ltd	Company controlled by actual controller
Shanghai Electric Gotion New Energy Technology (Nantong) Co., Ltd	Subsidiary of Shanghai Electric GuoXuan
Hefei Dongyu Business Management Co., Ltd	Company controlled by actual controller
Hefei Gotion Hotel Management Co., Ltd	Company controlled by actual controller
Anhui Guoxuanxiang Aluminum Technology Co., Ltd	Company controlled by actual controller
Hefei Imperial Palace Decoration Design Engineering Co., Ltd.	Company controlled by actual controller
Linlixin Dadao Public Transport Co., Ltd	Company controlled by actual controller
Wucheng Dadao New Energy Bus Co., Ltd . . .	Company controlled by actual controller
Anhui Chiyu New Material Technology Co., Ltd	Company controlled by controlling shareholder
Hefei Qianrui Technology Co., Ltd	Company controlled by controlling shareholder
Volkswagen (China) Investment Co., Ltd	The largest shareholder
Volkswagen Group	Controlling shareholder of the largest shareholder
Volkswagen Automatic Transmission (Tianjin) Co., Ltd	Subsidiary of Volkswagen Group, Frank Engel serve as director
Enoway (Suzhou) New Energy Technology Co., Ltd	Associate of Volkswagen (China) Investment Co., Ltd
Volkswagen FAW Platform Parts Co., Ltd	Subsidiary of Volkswagen (China) Investment Co., Ltd, Frank Engel serve as director

6. Related Party Transactions

(1) Purchase of commodities/receiving of services:

Related party	Transaction type	Amount occurred in 2021	Amount occurred in 2020
Anhui Guoxuanxiang Aluminum Technology Co., Ltd	Box, tooling and mould, etc	99,360,967.49	6,967,427.87
Anhui Minsheng Property Management Co., Ltd.	Property services	18,413,685.48	20,526,103.38
Anhui Tangchi Film and Television Culture Industry Co., Ltd	Conference accommodation, catering, etc	481,031.13	1,515,370.98
Anhui Tongguan Copper Foil Group Co., Ltd	Copper foil	87,575,180.92	28,691,111.96
Beijing Fuweisi Oil and Gas Technology Co., Ltd	Slave module, transfer high-voltage box		330,382.31
Shanghai Electric Gotion new Energy Technology (Suzhou) Co., Ltd	Power battery system assembly, module and accessories, pole piece, etc	2,800,545.65	16,097,167.18

Related party	Transaction type	Amount occurred in 2021	Amount occurred in 2020
Hefei Tongguan Electronic Copper foil Co., Ltd.	Copper foil		3,029,694.87
Hefei Xingyuan New Energy Material Co., Ltd.	Diaphragm	79,355,125.40	42,371,009.54
MCC Ruimu New Energy Technology Co., Ltd	Labor	140,731,536.73	14,070.78
Hefei Imperial Palace Decoration Design Engineering Co., Ltd	Construction		3,085,663.72
Hefei Qianrui Technology Co., Ltd.	Electrolyte	5,332,741.10	
Huabei Aluminum New Material Technology Co., Ltd	Aluminum foil	39,819,204.01	
Shanghai Electric Gotion New Energy technology (Nantong) Co., Ltd	Cell system	53,854,603.85	
Hefei Dongyu Business Management Co., Ltd	Canteen fee	2,728,884.71	
Volkswagen Automatic Transmission (Tianjin) Co., Ltd	Training fee	1,635,629.01	
Hefei Gotion Hotel Management Co., Ltd	Hospitality	18,197.00	
Hebei Xinxuan Transportation Co., Ltd	Labor	22,646.02	
Volkswagen FAW Platform Parts Co., Ltd	Training fee	218,068.50	
Anhui Chiyu New Material Technology Co., Ltd	Mold development fee	3,835,424.78	

Sales of commodities/rendering of services:

Related party	Transaction type	Amount occurred in 2021	Amount occurred in 2020
Beijing Fuweisi Oil and Gas Technology Co., Ltd	Cell	-46,552,348.35	53,233,869.65
Shanghai Electric Gotion New Energy Technology (Suzhou) Co., Ltd	Power battery system, cell system	15,699,823.02	22,214,023.59
Hebei Xinxuan Transportation Co., Ltd	Charging equipment		1,064,637.90
Huangshan Dadao New Energy Bus Co., Ltd	Charging equipment		5,309,734.53
Jiangsu Jiankang Automobile Co., Ltd	Charging equipment	7,985.85	10,368,314.15
Jingde Dadao New Energy Bus Co., Ltd	Charging equipment		1,061,946.90
Lixin Electric Bus Co., Ltd	Charging equipment	7,964,601.80	3,185,840.72
Linlixin Dadao Public Transport Co., Ltd	Charging equipment		1,061,946.90

Related party	Transaction type	Amount occurred in 2021	Amount occurred in 2020
Shanghai Electric Gotion New Energy Technology (Nantong) Co., Ltd	Cell, Lithium iron phosphate and other raw materials; Technical service fee	161,846,985.84	38,898,647.51
Shanghai Electric Gotion New Energy Technology Co., Ltd	Cell, controlling box	120,712,754.74	124,923,379.53
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	2,654,867.25
Wenchang Dadao New Energy Bus Co., Ltd	Charging equipment	-5,309,734.53	5,752,035.41
Yingshang Dadao New Energy Bus Co., Ltd	Charging equipment and Switch cabinet	15,040,747.26	29,203,539.93
Wucheng Dadao New Energy Bus Co., Ltd	Charging equipment		530,973.45
Volkswagen Automatic Transmission (Tianjin) Co., Ltd	Module	1,599,665.04	
Enoway (Suzhou) New Energy Technology Co., Ltd	Module	112,179,168.15	
Anhui Guoxuanxiang Aluminum Technology Co., Ltd	Battery box	9,356,692.40	
Anhui Gotion New Energy Technology Co., Ltd	Switch cabinet	2,362,758.41	
Anhui YiJiaNeng Digital Technology Co., Ltd	Mobile charging pile	221,238,938.00	
Shanghai Gotion Wuyang Shipping Technology Co., Ltd	Cell	1,108,849.56	

(2) Information of other transaction

In November 2021, Hefei Gotion High-tech Power Energy CO., Ltd signed the equity transfer agreement with Nanjing GuoXuan Holding Group Co., Ltd, Hefei Gotion High-tech Power Energy CO., Ltd transferred 100.00% equity of Hefei Xuanyi Investment Management Co., Ltd. (book net assets on disposal date: RMB4,399,000.00) at the price of RMB4.5 million to Nanjing GuoXuan Holding Group Co., Ltd.

(3) Related lease

The Company as the lessor

Name of lessor	Category of leased assets	Lease income recognized in the current period	Lease income recognized in the prior period
Nascent Investment. LLC.	Property	$516,000.00	$516,000.00

(4) Guaranteed by the related party

Hefei Gotion as the guaranteed:

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Li Zhen	260,050,601.58	2019/9/19	2021/1/5	Yes

The Company as the guarantor

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Hefei Gotion High-tech Power Energy CO., Ltd	95,000,000.00	2017/6/30	2025/6/30	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/3/24	2025/3/24	No
Hefei Gotion High-tech Power Energy CO., Ltd	30,000,000.00	2020/7/1	2025/7/1	No
Hefei Gotion High-tech Power Energy CO., Ltd	40,000,000.00	2020/10/14	2025/10/14	No
Hefei Gotion High-tech Power Energy CO., Ltd	40,000,000.00	2020/12/30	2025/12/30	No
Hefei Gotion High-tech Power Energy CO., Ltd	50,000,000.00	2021/1/4	2026/1/4	No
Hefei Gotion High-tech Power Energy CO., Ltd	94,500,000.00	2021/1/4	2026/1/4	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/2/9	2026/2/9	No
Hefei Gotion High-tech Power Energy CO., Ltd	200,000,000.00	2021/3/19	2026/2/9	No
Hefei Gotion High-tech Power Energy CO., Ltd	47,500,000.00	2021/6/18	2026/6/18	No
Hefei Gotion High-tech Power Energy CO., Ltd	50,000,000.00	2021/6/29	2026/6/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	105,000,000.00	2020/6/9	2026/6/9	No
Hefei Gotion High-tech Power Energy CO., Ltd	175,000,000.00	2020/6/16	2026/6/16	No
Hefei Gotion High-tech Power Energy CO., Ltd	80,000,000.00	2021/9/29	2027/9/29	No

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Hefei Gotion High-tech Power Energy CO., Ltd	200,000,000.00	2021/5/14	2025/5/14	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/6/22	2025/6/22	No
Hefei Gotion High-tech Power Energy CO., Ltd	200,000,000.00	2020/6/30	2025/6/30	No
Hefei Gotion High-tech Power Energy CO., Ltd	50,000,000.00	2020/12/14	2025/12/14	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/7/1	2025/7/1	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/4/14	2024/4/14	No
Hefei Gotion High-tech Power Energy CO., Ltd	40,000,000.00	2021/5/31	2024/5/31	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/8/24	2024/8/24	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/11/25	2024/11/25	No
Hefei Gotion High-tech Power Energy CO., Ltd	194,000,000.00	2020/9/1	2025/9/1	No
Hefei Gotion High-tech Power Energy CO., Ltd	130,000,000.00	2021/12/1	2025/12/1	No
Hefei Gotion High-tech Power Energy CO., Ltd	276,000,000.00	2021/4/30	2025/4/30	No
Hefei Gotion High-tech Power Energy CO., Ltd	90,000,000.00	2021/9/29	2025/9/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	14,000,000.00	2021/10/21	2025/10/21	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/4/30	2026/4/30	No
Hefei Gotion High-tech Power Energy CO., Ltd	200,000,000.00	2020/5/8	2026/5/8	No
Hefei Gotion High-tech Power Energy CO., Ltd	220,000,000.00	2021/3/26	2027/3/26	No
Hefei Gotion High-tech Power Energy CO., Ltd	200,000,000.00	2021/11/29	2029/11/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	90,000,000.00	2020/10/23	2026/10/23	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/12/28	2025/12/28	No
Hefei Gotion High-tech Power Energy CO., Ltd	98,000,000.00	2020/11/20	2025/11/20	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/12/15	2027/12/15	No
Hefei Gotion High-tech Power Energy CO., Ltd	140,000,000.00	2021/12/30	2027/12/30	No
Hefei Gotion High-tech Power Energy CO., Ltd	200,000,000.00	2021/9/30	2024/9/30	No
Hefei Gotion High-tech Power Energy CO., Ltd	300,000,000.00	2021/7/29	2024/7/29	No

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/8/27	2024/8/27	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/9/23	2024/9/23	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/3/31	2024/3/31	No
Hefei Gotion High-tech Power Energy CO., Ltd	21,367,150.00	2019/8/28	2024/2/28	No
Hefei Gotion High-tech Power Energy CO., Ltd	56,000,000.00	2021/9/29	2025/3/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	187,500,000.00	2021/5/28	2024/11/28	No
Hefei Gotion High-tech Power Energy CO., Ltd	5,000,000.00	2021/12/29	2025/6/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	38,000,000.00	2021/8/20	2025/2/20	No
Hefei Gotion High-tech Power Energy CO., Ltd	30,000,000.00	2021/9/29	2025/3/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	45,000,000.00	2021/5/17	2025/5/17	No
Hefei Gotion High-tech Power Energy CO., Ltd	36,000,000.00	2021/3/19	2025/3/19	No
Hefei Gotion High-tech Power Energy CO., Ltd	86,700,000.00	2021/12/27	2025/6/27	No
Hefei Gotion High-tech Power Energy CO., Ltd	105,000,000.00	2021/4/19	2025/1/19	No
Hefei Gotion High-tech Power Energy CO., Ltd	77,000,000.00	2021/8/24	2025/2/24	No
Hefei Gotion High-tech Power Energy CO., Ltd	60,000,000.00	2021/10/26	2025/4/26	No
Hefei Gotion High-tech Power Energy CO., Ltd	168,000,000.00	2021/10/9	2024/4/9	No
Hefei Gotion High-tech Power Energy CO., Ltd	140,000,000.00	2021/4/26	2024/1/26	No
Hefei Gotion High-tech Power Energy CO., Ltd	49,700,000.00	2021/7/8	2024/1/8	No
Hefei Gotion High-tech Power Energy CO., Ltd	8,910,000.00	2021/6/29	2024/6/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	45,000,000.00	2021/11/5	2025/5/5	No
Hefei Gotion High-tech Power Energy CO., Ltd	52,990,000.00	2021/11/19	2025/8/19	No
Hefei Gotion High-tech Power Energy CO., Ltd	49,000,000.00	2021/6/29	2025/3/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	98,000,000.00	2021/8/27	2025/2/27	No
Hefei Gotion High-tech Power Energy CO., Ltd	70,000,000.00	2021/9/23	2024/3/23	No
Hefei Gotion High-tech Power Energy CO., Ltd	70,000,000.00	2021/10/15	2024/7/15	No

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Hefei Gotion High-tech Power Energy CO., Ltd	90,000,000.00	2021/9/18	2024/9/18	No
Hefei Gotion High-tech Power Energy CO., Ltd	99,995,000.00	2021/9/29	2025/6/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	50,400,000.00	2021/12/29	2025/6/29	No
Hefei Gotion High-tech Power Energy CO., Ltd	49,595,000.00	2021/12/29	2025/929	No
Hefei Gotion High-tech Power Energy CO., Ltd	49,000,000.00	2021/9/27	2025/3/27	No
Hefei Gotion High-tech Power Energy CO., Ltd	140,000,000.00	2021/7/28	2025/1/28	No
Hefei Gotion High-tech Power Energy CO., Ltd	98,000,000.00	2021/12/21	2025/9/21	No
Hefei Gotion High-tech Power Energy CO., Ltd	99,750,000.00	2021/12/22	2025/6/22	No
Hefei Gotion High-tech Power Energy CO., Ltd	31,500,000.00	2021/11/12	2024/5/12	No
Hefei Gotion High-tech Power Energy CO., Ltd	49,000,000.00	2021/11/12	2024/8/12	No
Hefei Gotion High-tech Power Energy CO., Ltd	70,000,000.00	2021/9/3	2024/3/3	No
Hefei Gotion High-tech Power Energy CO., Ltd	49,000,000.00	2021/9/9	2024/6/9	No
Hefei Gotion High-tech Power Energy CO., Ltd	56,000,000.00	2021/10/28	2024/4/28	No
Hefei Gotion High-tech Power Energy CO., Ltd	39,900,000.00	2021/12/13	2025/6/13	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/11/23	2025/11/23	No
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/11/24	2025/11/24	No
Qingdao Gotion Battery Co., Ltd	100,000,000.00	2021/9/15	2025/9/15	No
Qingdao Gotion Battery Co., Ltd	90,000,000.00	2021/1/8	2025/1/8	No
Qingdao Gotion Battery Co., Ltd	60,000,000.00	2021/2/1	2025/2/1	No
Qingdao Gotion Battery Co., Ltd	150,000,000.00	2021/3/1	2025/3/1	No
Qingdao Gotion Battery Co., Ltd	100,000,000.00	2021/1/27	2024/1/27	No
Qingdao Gotion Battery Co., Ltd	100,000,000.00	2021/2/8	2024/2/8	No
Qingdao Gotion Battery Co., Ltd	100,000,000.00	2021/3/3	2024/3/3	No
Nanjing Gotion Battery Co., Ltd	49,000,000.00	2021/10/30	2025/10/30	No
Nanjing Gotion Battery Co., Ltd	70,000,000.00	2021/11/26	2025/11/26	No
Nanjing Gotion Battery Co., Ltd	50,000,000.00	2021/11/10	2024/11/10	No
Nanjing Gotion Battery Co., Ltd	50,000,000.00	2021/3/30	2024/3/30	No
Nanjing Gotion Battery Co., Ltd	100,000,000.00	2021/12/8	2025/12/8	No
Nanjing Gotion Battery Co., Ltd	49,833,000.00	2021/10/22	2025/7/22	No
Nanjing Gotion New Energy Co., Ltd	105,400,000.00	2020/9/2	2028/3/2	No
Nanjing Gotion New Energy Co., Ltd	52,700,000.00	2020/9/10	2028/3/10	No
Nanjing Gotion New Energy Co., Ltd	47,430,000.00	2020/9/18	2028/3/18	No

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Nanjing Gotion New Energy Co., Ltd	42,160,000.00	2020/9/18	2028/3/18	No
Nanjing Gotion New Energy Co., Ltd	15,810,000.00	2020/9/7	2028/3/8	No
Nanjing Gotion New Energy Co., Ltd	50,000,000.00	2021/12/8	2025/12/8	No
Gotion New Energy (Lujiang) Co., Ltd	200,000,000.00	2021/8/13	2025/8/13	No
Gotion New Energy (Lujiang) Co., Ltd	240,000,000.00	2021/6/29	2028/6/29	No
Gotion New Energy (Lujiang) Co., Ltd	49,985,000.00	2021/11/26	2025/5/26	No
Tangshan Gotion Battery Co., Ltd	100,000,000.00	2021/7/27	2025/7/27	No
Tangshan Gotion Battery Co., Ltd	50,000,000.00	2021/7/7	2025/7/7	No
Hefei Gotion Battery Co., Ltd.	250,000,000.00	2020/12/19	2028/12/19	No
Hefei Gotion Battery Co., Ltd.	93,000,000.00	2021/1/1	2028/12/19	No
Hefei Gotion Battery Co., Ltd.	97,000,000.00	2020/8/28	2025/8/28	No
Shanghai Xuanyi New Energy Development Co., Ltd	563,015,400.00	2019/12/31	2032/12/31	No
Liuzhou Gotion Battery Co., Ltd	66,670,000.00	2021/2/1	2024/2/1	No
Liuzhou Gotion Battery Co., Ltd	46,666,000.00	2021/6/23	2025/6/23	No
Liuzhou Gotion Battery Co., Ltd	100,000,000.00	2021/6/28	2025/6/28	No
Liuzhou Gotion Battery Co., Ltd	400,020,000.00	2021/9/14	2030/9/14	No
Liuzhou Gotion Battery Co., Ltd	14,307,400.00	2021/11/25	2025/5/25	No
Hefei Gotion Battery Material Co., Ltd	124,478,044.00	2020/5/8	2025/11/8	No
Hefei Gotion Battery Material Co., Ltd	49,000,000.00	2021/9/28	2024/3/28	No
Hefei Gotion High-tech Power Energy CO., Ltd	50,000,000.00	2019/6/25	2021/6/25	No
Hefei Gotion High-tech Power Energy CO., Ltd	40,000,000.00	2020/1/3	2021/1/3	No
Hefei Gotion High-tech Power Energy CO., Ltd	120,000,000.00	2020/1/21	2021/1/21	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/6/24	2021/6/24	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/7/31	2021/7/31	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	48,000,000.00	2020/1/22	2021/1/22	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	80,000,000.00	2020/3/1	2021/3/1	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/3/27	2021/3/27	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/8/7	2021/8/7	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	50,000,000.00	2020/10/12	2021/10/12	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	45,000,000.00	2020/11/10	2021/11/10	Yes

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2021/3/1	2021/12/14	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	90,000,000.00	2020/9/11	2021/9/11	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	130,000,000.00	2020/12/1	2021/12/1	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/9/30	2021/9/30	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/7/10	2021/7/10	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	100,000,000.00	2020/8/25	2021/8/25	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	46,000,000.00	2019/11/14	2021/11/14	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	30,000,000.00	2021/3/26	2021/9/26	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	38,000,000.00	2021/2/2	2021/8/2	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	25,000,000.00	2021/3/25	2021/9/25	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	5,000,000.00	2021/3/30	2021/9/30	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	12,000,000.00	2021/6/29	2021/12/29	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	36,000,000.00	2020/7/15	2021/7/15	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	70,000,000.00	2021/3/25	2021/12/25	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	56,000,000.00	2020/11/5	2021/8/5	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	56,000,000.00	2020/12/17	2021/8/17	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	161,000,000.00	2021/1/22	2021/10/22	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	45,000,000.00	2021/2/3	2021/11/3	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	49,000,000.00	2021/5/24	2021/11/24	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	70,000,000.00	2020/12/9	2021/12/9	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	70,000,000.00	2021/1/7	2021/10/7	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	49,000,000.00	2020/12/24	2021/12/24	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	98,000,000.00	2021/1/29	2021/10/29	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	98,000,000.00	2021/6/24	2021/12/24	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	80,500,000.00	2021/5/17	2021/11/17	Yes

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Hefei Gotion High-tech Power Energy CO., Ltd	75,000,000.00	2021/2/8	2021/8/8	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	28,000,000.00	2021/3/30	2021/12/30	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	50,000,000.00	2020/6/23	2021/6/23	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	112,500,000.00	2020/6/11	2021/6/11	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	75,000,000.00	2020/7/27	2021/7/27	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	36,410,000.00	2020/9/8	2021/3/8	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	18,000,000.00	2020/3/20	2021/3/20	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	27,000,000.00	2020/10/30	2021/4/30	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	36,000,000.00	2020/7/15	2021/7/15	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	105,000,000.00	2020/4/3	2021/4/3	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	105,000,000.00	2020/5/14	2021/5/14	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	56,000,000.00	2020/11/5	2021/11/5	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	56,000,000.00	2020/12/17	2021/12/17	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	50,000,000.00	2020/9/24	2021/3/24	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	25,000,000.00	2020/9/28	2021/3/28	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	56,000,000.00	2020/3/31	2021/3/31	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	89,600,000.00	2020/4/3	2021/4/3	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	100,100,000.00	2020/4/13	2021/4/13	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	8,910,000.00	2020/6/24	2021/6/24	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	52,500,000.00	2020/10/28	2021/10/28	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	49,000,000.00	2020/8/21	2021/8/21	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	49,000,000.00	2020/9/25	2021/9/25	Yes
Hefei Gotion High-tech Power Energy CO., Ltd	87,500,000.00	2020/7/17	2021/7/17	Yes
Qingdao Gotion Battery Co., Ltd . . .	90,000,000.00	2020/1/6	2021/1/6	Yes
Qingdao Gotion Battery Co., Ltd . . .	150,000,000.00	2020/3/24	2021/3/24	Yes
Qingdao Gotion Battery Co., Ltd . . .	100,000,000.00	2020/3/6	2021/3/6	Yes
Qingdao Gotion Battery Co., Ltd . . .	100,000,000.00	2020/3/10	2021/3/10	Yes
Qingdao Gotion Battery Co., Ltd . . .	100,000,000.00	2020/3/18	2021/3/18	Yes

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Qingdao Gotion Battery Co., Ltd . . .	100,000,000.00	2017/1/3	2021/12/31	Yes
Qingdao Gotion Battery Co., Ltd . . .	100,000,000.00	2020/9/11	2021/9/11	Yes
Nanjing Gotion Battery Co., Ltd	49,000,000.00	2020/10/30	2021/10/30	Yes
Nanjing Gotion Battery Co., Ltd	50,000,000.00	2021/1/1	2021/11/8	Yes
Nanjing Gotion Battery Co., Ltd	100,000,000.00	2021/1/1	2021/12/8	Yes
Nanjing Gotion Battery Co., Ltd	49,000,000.00	2021/4/15	2021/10/15	Yes
Tangshan Gotion Battery Co., Ltd . . .	150,000,000.00	2021/1/24	2021/7/27	Yes
Gotion New Energy (Lujiang) Co., Ltd	100,000,000.00	2020/7/30	2021/7/30	Yes
Liuzhou Gotion Battery Co., Ltd	34,620,000.00	2020/10/29	2021/10/29	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	29,000,000.00	2021/4/1	2024/4/1	No
Jiangsu Dongyuan Electrical Group Co., Ltd	30,000,000.00	2021/7/21	2024/7/21	No
Jiangsu Dongyuan Electrical Group Co., Ltd	30,000,000.00	2021/7/31	2024/7/31	No
Jiangsu Dongyuan Electrical Group Co., Ltd	10,000,000.00	2021/8/19	2024/8/19	No
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2021/8/20	2024/8/20	No
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2021/8/24	2024/8/24	No
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2021/6/9	2022/6/8	No
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2021/9/9	2023/6/9	No
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2021/10/22	2023/7/22	No
Jiangsu Dongyuan Electrical Group Co., Ltd	31,000,000.00	2021/12/23	2022/12/23	No
Nantong Gotion New Energy Technology Co., Ltd	40,000,000.00	2021/6/30	2024/6/30	No
Nantong Gotion New Energy Technology Co., Ltd	10,000,000.00	2021/7/27	2024/7/27	No
Nantong Asitong Electric Appliance Manufacturing Co., Ltd	29,000,000.00	2021/6/11	2025/6/11	No
Jiangsu Dongyuan Electrical Group Co., Ltd	14,000,000.00	2020/2/12	2021/2/12	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	31,000,000.00	2021/1/21	2022/1/21	No
Jiangsu Dongyuan Electrical Group Co., Ltd	60,000,000.00	2020/2/24	2021/2/24	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	30,000,000.00	2020/3/17	2021/3/17	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	10,000,000.00	2020/7/10	2021/7/10	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	40,000,000.00	2020/9/25	2021/3/25	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2020/6/10	2021/6/9	Yes

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Jiangsu Dongyuan Electrical Group Co., Ltd	10,000,000.00	2020/8/31	2021/8/27	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2020/9/4	2021/9/1	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2020/10/29	2021/10/28	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	30,000,000.00	2020/12/25	2021/12/24	Yes
Jiangsu Dongyuan Electrical Group Co., Ltd	20,000,000.00	2021/1/1	2021/12/29	Yes
Nantong Taifu Electric Appliance Manufacturing Co., Ltd	15,000,000.00	2020/6/17	2021/6/17	Yes
Nantong Gotion New Energy Technology Co., Ltd	20,000,000.00	2020/6/29	2021/6/27	Yes
Nantong Gotion New Energy Technology Co., Ltd	10,000,000.00	2020/8/3	2021/7/28	Yes
Nantong Asitong Electric Appliance Manufacturing Co., Ltd	29,000,000.00	2020/6/18	2021/6/11	Yes

Hefei Gotion High-tech Power Energy CO., Ltd guarantee for other subsidiary

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Nanjing Gotion Battery Co., Ltd	20,000,000.00	2021/3/1	2025/3/1	No
Nanjing Gotion Battery Co., Ltd	30,000,000.00	2021/4/20	2025/4/20	No
Nanjing Gotion Battery Co., Ltd	50,000,000.00	2021/6/30	2025/6/30	No
Nanjing Gotion Battery Co., Ltd	20,000,000.00	2020/3/22	2021/3/22	Yes
Nanjing Gotion Battery Co., Ltd	30,000,000.00	2020/6/1	2021/6/1	Yes

Guaranteed by the related party

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
MCC Ruimu New Energy Technology Co., Ltd	300,000,000.00	2019/1/31	2025/1/31	No
Shanghai Electric GuoXuan New Energy Technology Co., Ltd	91,140,000.00	2018/11/22	2026/11/22	No
Shanghai Electric GuoXuan New Energy Technology Co., Ltd	294,000,000.00	2020/5/9	2030/5/9	No

(5) Compensation for key managers

Item	Amount occurred in 2021	Amount occurred in 2020
Compensation for key managers	11,857,400.00	10,625,000.00

7. Receivables from and payables to related parties

(1) Receivables from related parties

Item	Related Party	Closing balance: Carrying balance	Closing balance: Credit loss provision	Opening balance: Carrying balance	Opening balance: Credit loss provision
Accounts receivable . .	Shanghai Electric Gotion New Energy Technology (Suzhou) Co., Ltd	23,015,035.90	1,891,774.69	9,507,326.72	475,366.34
Accounts receivable . .	Beijing Fuweisi Oil and Gas Technology Co., Ltd			57,052,033.63	2,852,601.68
Accounts receivable . .	Hebei Xinxuan Transportation Co., Ltd	1,200,000.00	120,000.00	1,200,000.00	60,000.00
Accounts receivable . .	Huangshan Dadao New Energy Bus Co., Ltd	6,280,000.00	740,000.00	6,280,000.00	384,000.00
Accounts receivable . .	Jiangsu Jiankang Automobile Co., Ltd	247,634,490.02	127,249,797.73	247,634,490.02	43,876,939.05
Accounts receivable . .	Jingde Dadao New Energy Bus Co., Ltd	1,582,500.00	234,750.00	1,582,500.00	98,250.00
Accounts receivable . .	Lixin Electric Bus Co., Ltd	12,600,000.00	810,000.00	3,600,000.00	180,000.00
Accounts receivable . .	Linlixin Dadao Public Transport Co., Ltd	1,200,000.00	120,000.00	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	257,108,857.61	17,521,863.09	181,801,383.18	11,806,544.84
Accounts receivable . .	Taihe Dadao New Energy Bus Co., Ltd	16,300,000.00	1,840,000.00	36,300,000.00	1,950,000.00
Accounts receivable . .	Tunchang Xinhai New Energy Bus Co., Ltd	140,122.00	70,061.00	3,140,122.00	192,036.60
Accounts receivable . .	Wenchang Avenue New Energy Bus Co., Ltd	49,980.00	4,998.00	6,049,980.00	302,499.00
Accounts receivable . .	Wucheng Dadao New Energy Bus Co., Ltd	600,000.00	60,000.00	600,000.00	30,000.00
Accounts receivable . .	Yingshang Dadao New Energy Bus Co., Ltd	33,420,000.00	3,636,000.00	16,423,955.60	1,010,197.78
Accounts receivable . .	Volkswagen Automatic Transmission (Tianjin) Co., Ltd	1,727,682.18	86,384.11		
Accounts receivable . .	Enoway (Suzhou) New Energy Technology Co., Ltd	41,435,524.00	2,071,776.20	13,948,536.00	697,426.80
Accounts receivable . .	Shanghai Wuyang Shipping Technology Co., Ltd	1,607,992.00	98,149.20		
Accounts receivable . .	Litong Energy Technology Co., Ltd	12,367,395.38	1,297,066.61	15,357,614.16	1,590,844.25
Accounts receivable . .	Anhui YiJiaNeng Digital Technology Co., Ltd	200,000,000.00	10,000,000.00		
Prepayments . .	Hefei Tongguan Gotion Copper Material Co., Ltd			768.92	
Prepayments . .	MCC Ruimu New Energy Technology Co., Ltd			33.00	

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Prepayments . .	Company controlled by actual controller			40,937.00	
Prepayments . .	Beijing Fuweisi Oil and Gas Technology Co., Ltd			424,000.00	
Other receivables. .	Hefei Aolai New Energy Vehicle Sales Co., Ltd			171,491.27	52,236.98
Other receivables. .	Nanjing Gotion Holding Group Co., Ltd	1,800,000.00	90,000.00		
Other receivables. .	Beijing Fuweisi Oil and Gas Technology Co., Ltd	4,447,880.00	4,447,880.00		
Other receivables. .	Shanghai Electric Gotion New Energy Technology Co., Ltd	72,520.00	7,252.00	72,520.00	3,626.00
Total	/	864,589,979.09	172,397,752.63	645,343,081.76	67,831,358.75

(2) Payables to related parties

Item	Related Party	Closing balance	Opening balance
Account payables . .	Anhui Minsheng Property Management Co., Ltd		1,591,838.85
Account payables . .	Anhui Tongguan Copper Foil Group Co., Ltd	31,533,174.28	13,936,526.05
Account payables . .	Beijing Fuweisi Oil and Gas Technology Co., Ltd	23,332.00	123,332.00
Account payables . .	Shanghai Electric Gotion New Energy Technology (Suzhou) Co., Ltd		38,866,587.62
Account payables . .	Hefei Xingyuan New Energy Material Co., Ltd	38,742,567.92	31,548,536.26
Account payables . .	Shanghai Dajiang Network Technology Co., Ltd	808,000.00	8,000.00
Account payables . .	Anhui Guoxuanxiang Aluminum Technology Co., Ltd	31,026,560.69	
Account payables . .	Huabei Aluminum New Material Technology Co., Ltd	14,289,887.61	
Account payables . .	MCC Ruimu New Energy Technology Co., Ltd	58,465,632.24	
Account payables . .	Shanghai Electric Gotion New Energy Technology (Nantong) Co., Ltd	13,025,629.20	
Account payables . .	Anhui Chiyu New Material Technology Co., Ltd	4,334,030.00	
Account payables . .	Hefei Qianrui Technology Co., Ltd	5,516,000.00	
Receipts in advance	Beijing Gotion Fuweisi Optical Storage and Charging Technology Co., Ltd		543,506.39
Receipts in advance	Shanghai Electric Gotion New Energy Technology (Suzhou) Co., Ltd		604,275.80
Receipts in advance	Jiangsu Jiankang Automobile Co., Ltd	1,216.00	
Receipts in advance	Anhui Gotion New Energy Investment Co., Ltd	693,800.00	
Other payables	Anhui Gotion New Energy Investment Co., Ltd	859,026.00	859,026.00

Item	Related Party	Closing balance	Opening balance
Other payables	Anhui Minsheng Property Management Co., Ltd	1,236,758.00	2,367,255.52
Other payables	Anhui Tangchi Film and Television Culture Industry Co., Ltd	13,062.00	13,062.00
Other payables	Hebei Xinxuan Transportation Co., Ltd		220,000.00
Other payables	Hefei Dongyu Business Management Co., Ltd	3,880,029.72	
Total		204,448,705.66	90,681,946.49

XI. Share-based payment

1. Overview of Share-based Payments

Item	Amount in current period
Total of equity instruments granted (share dividend) during the current reporting period	29,880.00 per share
Total of equity instruments vested during the current reporting period	
Total of equity instruments forfeited during the current reporting period.	
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	RMB39.30, 10-33 months

2. Information of the Share-based Payment through Equity Settlements

Item	Amount in current period
Method of determine the fair value of equity instruments at the grant date.	Black-Scholes Model
Recognition basis of the number of the equity instruments qualified for vesting.	Determined based on the results estimation of each vesting period
Reasons of the significant difference between the estimates of the current reporting period with that of the prior year	None
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve.	RMB64,004,535.98
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	RMB64,708,782.32

According to the proposal on the company's 2021 stock option incentive plan (Draft) and its summary deliberated and adopted at the third extraordinary general meeting of the company in 2021 and the resolution of the 13th meeting of the eighth board of directors, a total of 29.98 million stock options were granted to 1063 incentive objects such as Wang Qiang, Hou Fei and Meng Lingkui, and October 28, 2021 was determined as the grant date. The price of a share issued by the company to the incentive object is 39.0 yuan, and the source of the incentive share is 30.0 yuan. Within the exercisable right, if the exercise conditions specified in the plan are met, and the incentive object meets the exercise conditions after one year from the date of grant of the stock option first granted by the plan, it can be unlocked year by year in batches at the proportion of 40%: 30%: 30% per year during the exercise period.

XII. Commitments and Contingencies

1. Significant 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, 2021, the Company has no other major matters required to be disclosed.

2. Contingencies

The Company has no significant contingencies to be disclosed at December 31, 2021

XIII. Events after the Balance Sheet Date

1. Profit Distribution

Pursuant to the proposal of the 16th meeting of the 8th session of the Board of Directors on April 27th 2022, the Company proposed to distribute cash dividend of RMB1 (tax inclusive) per each 10 shares to all shareholders, the total cash dividend amount is RMB166,470,783.50 (tax inclusive). The above dividend distribution plan is still subject to the approval of the general meeting of shareholders.

2. Business combination not under the common control

During the reporting period, the subsidiary Jiangxi Gotion New Energy Technology Co., Ltd. signed an agreement with Yichun Kefeng New Material Co., Ltd. and its controlling shareholders Pingxiang Sanxin Investment Control Co., Ltd. and Lu Wenjun (the actual controller of Pingxiang Sanxin Investment Control Co., Ltd.). Jiangxi Gotion New Energy Technology Co., Ltd. plans to increase the capital of Yichun Kefeng New Material Co., Ltd. with monetary capital of RMB600 million. After the capital increase is completed, Jiangxi Gotion New Energy Technology Co., Ltd. holds 78.67% of the equity of Yichun Kefeng new materials Co., Ltd. As of the disclosure date of this report, RMB184 million of consideration has been paid.

XIV. Other Significant Events

By the end of 31 December 2021, there were no other significant events needed to be disclosed.

XV. Notes to Major Items of Financial Statements of the Parent Company (all currency unit is RMB, except other statements)

1. Accounts receivable

(1) Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year		175,770.00
1~2 year	16,370.00	
2~3 year		1,052,448.11
3~4 year		775,309.95
4~5 year	600,000.00	273,667.33
Over 5 years	28,684.55	
Total	645,054.55	2,277,195.39

(2) Disclosure by credit loss provision by methods

	Closing balance				
	Carrying amount		Credit loss provision		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for credit loss on a single basis					
Provision for credit loss by portfolios	645,054.55	100.00	510,321.55	79.11	134,733.00
Including: portfolio 1	645,054.55	100.00	510,321.55	79.11	134,733.00
Portfolio 2					
Total	645,054.55	100.00	510,321.55	79.11	134,733.00

Category	Opening balance				
	Carrying amount		Credit loss provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for credit loss on a single basis					
Provision for credit loss by portfolios	2,277,195.39	100.00	931,111.77	40.89	1,346,083.62
Including: portfolio 1	2,277,195.39	100.00	931,111.77	40.89	1,346,083.62
Portfolio 2					
Total	2,277,195.39	100.00	931,111.77	40.89	1,346,083.62

Provision for credit loss by portfolios

Item	Closing balance		
	Accounting receivable	Credit loss provision	Proportion (%)
Portfolio 1	645,054.55	510,321.55	79.11
Portfolio 2			
Total	645,054.55	510,321.55	79.11

The credit risk and expected credit losses of accounts receivable from portfolio 1 are as follows:

Overdue aging	Closing balance			Opening balance		
	Carrying amount	Credit loss provision	Proportion (%)	Carrying amount	Credit loss provision	Proportion (%)
Not overdue			5.00	175,770.00	8,788.50	5.00
Overdue within 1 year	16,370.00	1,637.00	10.00			10.00
Overdue 1~2 year			30.00	1,052,448.11	315,734.43	30.00
Overdue 2~3 year			50.00	775,309.95	387,654.98	50.00
Overdue 3~4 year	600,000.00	480,000.00	80.00	273,667.33	218,933.86	80.00
Overdue over 4 years	28,684.55	28,684.55	100.00			100.00
Total	645,054.55	510,321.55	79.11	2,277,195.39	931,111.77	40.89

(3) Credit loss provision

Category	Opening balance	Changes in current period			Closing balance
		Provision	Recovered or reversed	Write off	
Provision for bad debt of account receivables	931,111.77		420,790.22		510,321.55

(4) Main debtors based on corresponding closing balance of accounts receivable

Debtor	Closing balance	Proportion of total closing balance of accounts receivable	Closing balance for credit loss provision
Customer 1	600,000.00	93.02	480,000.00
Customer 2	28,684.55	4.45	28,684.55
Customer 3	16,370.00	2.54	1,637.00
Total	645,054.55	100.00	510,321.55

(5) There is no accounts receivable derecognized due to transfer of financial assets at the end of the reporting period

(6) There is no amount of assets and liabilities arising from transfer of accounts receivable under continuing involvement at the end of the reporting period

2. *Other receivables*

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable	326,769,081.20	106,769,081.20
Other receivables	285,522,902.83	716,444,183.67
Total	612,291,984.03	823,213,264.87

(1) Dividends receivable

Investee	Closing balance	Opening balance
Hefei Gotion High-tech Power Energy Co., Ltd	326,769,081.20	106,769,081.20

(2) Other receivables

① Disclosure by aging

Aging	Closing Balance	Opening Balance
Within 1 year	285,242,133.15	713,925,892.68
1~2 year	34,155.00	2,397,176.04
2~3 year		500,000.00
3~4 year	500,000.00	27,270.00
4~5 year	23,164.00	
Over 5 years		
Total	285,799,452.15	716,850,338.72

② Disclosure by nature

Item	Closing balance	Opening balance
Receivables and payables	285,150,080.75	713,869,843.68
Guarantee deposits	593,371.40	583,679.00
Other	56,000.00	2,396,816.04
Total	285,799,452.15	716,850,338.72
Less: Credit loss provision	276,549.32	406,155.05
Net value	285,522,902.83	716,444,183.67

③ Changes in credit loss provisions for other receivables

Bad debt	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit loss for lifetime (No credit loss occurred)	Stage 3 Expected credit loss for lifetime (Credit loss occurred)	Total
Balance as at 1 January 2021	406,155.05			406,155.05
The book balance of other receivables on January 1st 2021 in the current reporting period				
—Transfer into stage 2				
—Transfer into stage 3				
—Transfer back to stage 2				
—Transfer back to stage 1				
Current provision				
Current recovery	129,605.73			129,605.73
Current write-off				
Other increase				
Balance as at December 31, 2021	276,549.32			276,549.32

④ Provision for credit loss

Category	Opening balance	Changes in current period: Provision	Changes in current period: Recovered or reversed	Changes in current period: Write off	Closing balance
Provision for bad debt of other receivables	406,155.05		129,605.73		276,549.32

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

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

Entity	Nature	Closing balance	Aging	Proportion of total closing balance for other receivables (%)	Closing balance for credit loss provision
The first	Receivables and payables	186,640,000.00	Within 1 year	65.30	
The second	Receivables and payables	35,694,228.62	Within 1 year	12.49	
The third	Receivables and payables	25,630,118.13	Within 1 year	8.97	
The fourth	Receivables and payables	22,776,350.11	Within 1 year	7.97	
The fifth	Receivables and payables	14,409,383.89	Within 1 year	5.04	
Total	/	285,150,080.75	/	99.77	

⑦ There is no other receivables relevant to government grants

⑧ There is no other receivable derecognized due to transfer of financial assets

⑨ There is no amount of assets and liabilities arising from transfer of other receivables under continuing involvement

3. Long-term equity investment

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiaries	10,167,444,596.16		10,167,444,596.16	9,784,759,596.16		9,784,759,596.16
Investment in joint ventures and associates	285,988,765.74		285,988,765.74	199,353,463.48		199,353,463.48
Total	10,453,433,361.90		10,453,433,361.90	9,984,113,059.64		9,984,113,059.64

(1) Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment	Closing balance of provision for impairment
Hefei Gotion High-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		
Jiangxi Gotion New Energy Scientific Co., Ltd		266,685,000.00		266,685,000.00		
Jiangsu Gotion New Energy Scientific Co., Ltd		100,000,000.00		100,000,000.00		
Feidong Gotion New Materials Co., Ltd		16,000,000.00		16,000,000.00		
Total	9,784,759,596.16	382,685,000.00		10,167,444,596.16		

(2) Investment in joint ventures and associates

Investee	Opening balance	Changes in the current period								Closing balance	Closing balance of provisions for bad debts
		Additional investment	Decreased investment	Investment profit or loss under equity method	Adjustment in other comprehensive income	Other equity changes	Declared cash dividends or profit	Provisions for impairment	Others		
Associates:											
Shanghai Electric Gotion New Energy Technology Co., Ltd	199,353,463.48			21,691,939.72						221,045,403.20	
Anhui Anwa New Energy Technology Co., Ltd		65,000,000.00		-56,637.46						64,943,362.54	
Total	199,353,463.48	65,000,000.00		21,635,302.26						285,988,765.74	

4. Operating revenue and cost

(1) Operating revenue and cost

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	1,069,514.05	1,069,514.04	2,860,063.43	2,860,063.44

(2) Primary business (product)

Category	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Transmission and Distribution Products	1,069,514.05	1,069,514.04	2,860,063.43	2,860,063.44

5. Investment income

Item	Amount for the current period	Amount for the prior period
Investment income from long-term equity investments under the cost method	220,000,000.00	
Investment income from long-term equity investments under the equity method	21,635,302.26	1,617,130.18
Total	241,635,302.26	

XVI. Supplementary information

1. Detailed statement of non-recurring profits and losses

Item	Amount	Notes
Profit or loss from disposal of non- current assets	33,381,037.28	
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous enjoyment according to the state industrial policy)	558,402,434.21	
In addition to the effective hedging business related to the company's normal business operations, changes in fair value from holding financial assets held for trading, derivative financial assets, financial liabilities held for trading, fair value changes, and investment income from disposal of financial assets held for trading and derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	654,775.51	
Other non-operating income and expense except the items mentioned above	9,683,016.65	
Other profit and loss items that conform to the definition of non-recurring profits and losses	-13,634,561.22	
Non-recurring profits and losses(effect of total profit)	588,486,702.43	
Less: Effect of income tax	118,153,361.17	
Non-recurring profits and losses(effect of net profit)	470,333,341.26	
Effect of minority equity	26,473,479.36	
Total	443,859,861.90	

2. Return on equity and earnings per share

Profit during reporting period	Weighted average ROE	EPS(CNY/Share)	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders of the Company	0.86	0.08	0.08
Net profits attributable to ordinary shareholders of the Company after deduction of extraordinary gain and loss	-2.90	-0.26	-0.26

XVII. 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.

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

	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
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

Item	2020											
	Share capital	Other equity instrument			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
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	Guoxuan High-tech (HK) Limited	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) <u>Principles for accounting treatment of foreign currency monetary items</u>

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) <u>Principles for accounting treatment of foreign currency non-monetary items</u>

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. Subsequent measurement of intangible assets with finite useful lives

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. Subsequent measurement of intangible assets with infinite useful lives

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. Research phase

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. Development phase

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:

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 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

	Closing balance		Opening balance	
Aging	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:

		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 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: 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	Closing balance (book value)	Closing balance of provision for impairment
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			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	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: Internal R&D expenditure	Increase in the current period: Others	Decrease in the current period: Recognized as the intangible assets	Decrease in the current period: Transferred to the current profits and losses	Closing balance
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

Item	Closing balance			Opening balance		
	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
Guoxuan High-tech (HK) Limited	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

Item	Related party	Closing balance		Opening balance	
		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

Disclosure by aging

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								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 for impairment	Others		
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.

Auditor's Report

RSM SZ No. [2020]230Z2798

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

I. Opinion

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

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

II. Basis for Opinions

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

III. Emphasis of matter

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

IV. Key Audit Matters

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

(I) Recognition of operating revenue

1. Description

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

2. Deal with these matters in the audit

The audit procedures we perform for revenue recognition mainly include:

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

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

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

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

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

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

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

(II) Recoverability of accounts receivable

1. Description

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

2. Deal with these matters in the audit

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

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

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

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

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

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

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

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

(III) Impairment provision for inventory

1. Description

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

2. Deal with these matters in the audit

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

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

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

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

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

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

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

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

V. Other Information

The management of the Company is responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

VII. Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the audit, and bear solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report, unless these matters are forbidden by laws and regulations to be disclosed or in extremely rare circumstances, when the negative impact arising from the reasonable and expected communication about a certain matter in an auditors' report exceeds the public interest benefits arising therefrom, we determine that such matter should not be communicated in the auditors' report.

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

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

Consolidated Balance Sheet

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

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

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

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

Legal Representative: Li Zhen

Accounting Principal: Pan Wang

Head of the Accounting Firm: Pan Wang

Consolidated Income Statement

2019

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

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

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

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

Consolidated Statement of Cash Flows

2019

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

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

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

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

Consolidated Statement of Changes in Owners' Equity

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

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

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

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

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

Balance Sheet of the Parent Company

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

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

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

Legal Representative: Li Zhen

Person in charge of the accounting work: Pan Wang

Person in Charge of the Accounting Department: Pan Wang

Income Statement of the Parent Company

2019

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

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

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

Legal Representative: Li Zhen

Person in charge of the accounting work: Pan Wang

Person in Charge of the Accounting Department: Pan Wang

Statement of Cash Flows of the Parent Company

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

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

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

Legal Representative: Li Zhen

Person in charge of the accounting work: Pan Wang

Person in Charge of the Accounting Department: Pan Wang

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

2019
Company: Gotion High-tech Co., Ltd.

Unit: RMB

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

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

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

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

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

I. General Information on the Company

1. Company profile

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. *Scope and changes of consolidated financial statements*

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

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

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

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

Subsidiaries newly added during the Reporting Period:

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

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

No subsidiaries were reduced during the Reporting Period.

II. Basis for Preparing the Financial Statements

1. Basis for preparing

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

2. Going concern

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

III. Major Accounting Policies and Accounting Estimates

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

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

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

2. Accounting period

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

3. Operating cycle

The operating cycle of the Company is one year.

4. Functional currency

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

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

(1) Business combinations under common control

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

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

(2) Business combinations not under common control

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

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

(3) Treatment of relevant expenses incurred for business combination

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

6. Methods for preparing the consolidated financial statements

(1) Determination of consolidation scope

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

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

(2) Method for preparing consolidated financial statements

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

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

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

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

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

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

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

① Increase in subsidiaries or businesses

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

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

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

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

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

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

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

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

② Disposal of subsidiaries or businesses

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

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

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

(4) Special consideration in combination offset

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

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

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

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

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

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

(5) Accounting treatment of special transactions

① Acquisition of equity of minority shareholders

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

② Obtaining control over a subsidiary by several transactions in stages

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

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

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

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

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

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

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

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

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

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

A. Disposal by a transaction

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

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

B. <u>Disposal in steps by transactions</u>

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

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

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

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

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

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

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

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

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

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

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

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

(1) Joint operations

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

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

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

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

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

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

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

(2) Joint ventures

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

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

8. Criteria for recognizing cash and cash equivalents

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

9. Foreign currency transactions and translation of foreign currency statements

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

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

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

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

(3) Translation of foreign currency financial statements

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

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

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

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

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

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

10. Financial instruments

Applicable since January 1, 2019

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

(1) Recognition and derecognition of financial instruments

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

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

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

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

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

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

(2) Classification and measurement of financial assets

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

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

Subsequent measurement of financial assets depends on their classifications:

① Financial assets measured at amortized cost

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

② Financial assets measured at fair value through other comprehensive income

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

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

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

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

(3) Classification and measurement of financial liabilities

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

Subsequent measurement of financial liabilities depends on their classifications:

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

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

② Loan commitments and financial guarantee contract liabilities

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

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

③ Financial liabilities measured at amortized cost

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

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

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

(4) Derivative financial instruments and embedded derivatives

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

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

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

(5) Impairment of financial instruments

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

① Measurement of expected credit losses

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

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

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

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

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

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

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

A ***Receivables***

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

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

Bills receivable portfolio 1: Commercial acceptance bills

Bills receivable portfolio 2: Bank acceptance bills

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

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

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

Accounts receivable portfolio 2: Receivables from external customers

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

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

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

Other receivables portfolio 2: Receivables from external third parties

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

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

Receivables financing portfolio 1: Commercial acceptance bills

Receivables financing portfolio 2: Bank acceptance bills

Receivables financing portfolio 3: Accounts receivable

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

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

Long-term receivables portfolio 1: Receivables from external customers

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

B Debt investments, other debt investments

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

① With low credit risk

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

② Significant increase in credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

④ Presentation of provision for expected credit losses

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

⑤ Write-off

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

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

(6) Transfer of financial assets

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

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

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

① Derecognition of transferred financial assets

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

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

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

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

A. the carrying amount of the transferred financial asset;

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

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

A. the carrying amount of the derecognized portion;

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

② Continuous involvement in transferred financial assets

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

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

③ Continuous recognition of transferred financial assets

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

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

(7) Offsetting of financial assets and financial liabilities

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

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

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

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

(8) Determination of fair value of financial instruments

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

Following accounting policies for financial instruments applicable to 2018 and before

(1) Classification of financial assets

① Financial assets at fair value through current profit or loss

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

② Held-to-maturity investments

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

③ Receivables

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

④ Available-for-sale financial assets

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

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

(2) Classification of financial liabilities

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

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

(3) Reclassification of financial assets

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

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

(4) Differentiation between financial liabilities and equity instruments

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

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

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

(5) Transfer of financial assets

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

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

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

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

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

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

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

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

A. the carrying amount of the transferred financial asset;

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

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

A. the carrying amount of the derecognized portion;

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

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

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

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

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

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

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

(6) Derecognition of financial liabilities

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

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

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

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

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

(7) Offsetting financial assets and financial liabilities

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

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

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

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

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

① Objective evidences indicating impairment of financial assets:

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

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

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

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

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

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

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

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

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

② Impairment test for financial assets (other than receivables)

A. Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

11. Fair value measurement

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

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

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

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

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

① *Valuation techniques*

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

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

② *Fair value hierarchy*

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

12. Receivables

Following accounting policies for receivables applicable to 2018 and before

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

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

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

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

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

Basis for determination of portfolio:

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

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

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

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

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

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

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

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

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

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

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

13. Inventories

(1) Classification of inventories

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

(2) Valuation method of inventories delivered

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

(3) Inventory system for inventories

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

(4) Provision for inventory write down

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

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

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

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

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

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

(5) Amortization methods for turnover materials

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

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

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

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

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

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

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

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

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

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

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

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

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

② the recoverable amount.

(3) Presentation

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

15. Long-term equity investments

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

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

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

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

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

(2) Determination of initial investment cost

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

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

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

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

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

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

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

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

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

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

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

① The cost method

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

② The equity method

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

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

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

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

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

(4) Held-for-sale equity investment

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

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

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

(5) Impairment test and impairment provision

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

16. Fixed assets

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

(1) Conditions for recognition

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

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

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

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

(2) Depreciation methods of fixed assets

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

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

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

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

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

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

17. Construction in progress

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

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

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

18. Borrowing costs

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

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

① The capital expenditure has been incurred;

② The borrowing costs have been incurred;

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

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

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

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

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

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

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

19. Intangible assets

(1) Valuation method for intangible assets

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

(2) Useful life and amortization of intangible assets

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

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

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

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

③ Amortization of intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

20. Impairment of long-term assets

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

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

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

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

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

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

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

21. Long-term deferred expenses

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

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

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

22. Employee salaries

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

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

(1) Accounting treatment of short-term salaries

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

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

② Employee welfare expenses

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

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

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

④ Short-term paid leave

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

⑤ Short-term profit sharing plan

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

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

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

(2) Accounting treatment of post-employment benefit

① Defined contribution plan

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

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

② Defined benefit plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Accounting treatment of dismissal welfare

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

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

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

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

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

① When it meets the conditions of defined contribution plans

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

② When it meets the conditions of defined benefit plans

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

A. Service costs;

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

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

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

23. Provisions

(1) Recognition criteria for provisions

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

① The obligation is a present obligation of the Company;

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

③ The amount of the obligation can be measured reliably.

(2) Measurement method for provisions

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

24. Share-based payment

(1) Types of share-based payment

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

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

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

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

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

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

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

Cash-settled share-based payment

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

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

Equity-settled share-based payment

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

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

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

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

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

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

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

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

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

25. Principles for recognizing and methods for measuring revenue

(1) Revenue from sales of goods

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

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

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

(2) Revenue from rendering of labor services

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

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

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

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

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

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

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

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

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

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

(4) Revenue from construction contracts

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

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

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

26. Government subsidies

(1) Recognition of government subsidies

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

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

② The Company can receive the government subsidies.

(2) Measurement of government subsidies

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

(3) Accounting treatment of government subsidies

① The government subsidies related to assets

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

② The government subsidies related to income

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

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

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

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

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

③ Policy preferential loan discount

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

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

④ Return of government subsidies

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

27. Deferred tax assets and deferred tax liabilities

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

(1) Recognition of deferred tax assets

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

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

A. The transaction is not a business combination;

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

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

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

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

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

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

(2) Recognition of deferred tax liabilities

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

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

A. Initial recognition of goodwill;

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

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

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

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

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

① Deferred income tax liabilities or assets related to business combination

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

② Items directly included into owner's equity

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

③ Deductible loss and tax deduction

A. <u>The Company may have deductible loss and tax deduction during the operation process</u>

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

B. <u>Deductible unrecoverable loss of merged enterprise caused by business combination</u>

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

④ Temporary difference due to elimination of consolidation

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

⑤ The equity-settled share-based payment

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

28. Operating lease and finance lease

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

(1) Accounting treatment of operating lease

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

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

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

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

(2) Accounting treatment of finance lease

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

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

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

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

29. Repurchase of shares of the Company

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

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

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

30. Restricted shares

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

31. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

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

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

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

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

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

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

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

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

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

(2) Changes in significant accounting estimates

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

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

Consolidated Statement of financial position

Unit: Yuan Currency: RMB

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

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

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

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

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

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

IV. Taxation

1. Major Categories of Taxes and Tax Rates

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

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

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

3. Tax incentives

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

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

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

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

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

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

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

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

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

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

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

4. Other

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

V. Notes to Items in the Consolidated Financial Statements

1. Cash and bank balances

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

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

2. *Notes receivable*

(1) Classification of notes receivables

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

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

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

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

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

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

(5) Presentation of notes receivable by provisions

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

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

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

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

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

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

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

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

3. Accounts receivable

(1) Disclosure by aging

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

(2) Disclosure by credit loss provision by methods

① December 31st 2019 (on simplified model)

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

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

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

Specific explanation on provision for credit loss:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. *Receivables for financing*

(1) Classification

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

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

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

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

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

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

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

5. Prepayment

(1) Prepayments by aging analysis

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

(2) Closing balances of top five prepayments parties

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

6. Other receivables

(1) Classification

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

(2) Interest receivable

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

(3) Other receivables

① Disclosure by aging

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

② Disclosure by nature

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

③ Shown by classification of bad debt provisions

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

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

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

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

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

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

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

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

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

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

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

④ Change in provision for credit loss

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

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

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

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

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

7. Inventories

(1) Classification of inventories

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

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

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

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

8. Non-current assets maturing within one year

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

9. Other current assets

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

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

10. *Financial assets available for sale*

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

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

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

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

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

(continued)

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

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

11. Long-term receivables

(1) Long-term receivables

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

(2) Classification by credit loss provision method

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

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

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

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

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

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

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

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

(3) Change in provision for bad debt made

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

12. Long-term equity investment

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

(continued)

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

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

13. Investment in other equity instrument

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

14. Fixed assets

(1) Presentation by classification

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

(2) Fixed assets

① Fixed assets

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

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

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

③ Fixed assets leased under finance leases

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

④ Fixed assets with the certificate of title not obtained

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

15. Construction in progress

(1) Details of construction in progress

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

(2) Materials hold for construction in progress

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

(3) Construction in progress

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

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

② Change in major construction in progress during the current period

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

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

(continued)

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

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

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

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

16. Intangible assets

(1) Intangible assets

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

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

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

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

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

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

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

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

17. Development expenditure

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

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

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

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

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

18. Goodwill

(1) Original book value of goodwill

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

(2) Provision for impairment of goodwill

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

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

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

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

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

19. Long-term deferred expenses

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

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

20. *Deferred tax assets/Deferred tax liabilities*

(1) Deferred tax assets before offset

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

(2) Deferred tax liabilities before offset

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

(3) Details of unrecognized deferred tax assets

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

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

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

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

21. Other non-current assets

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

22. Short-term borrowings

(1) Classification of short-term borrowings

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

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

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

25. Notes payable

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

24. Accounts payable

(1) Present by nature

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

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

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

25. Receipts in advance

(1) Presentation of receipts in advance

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

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

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

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

26. Employee benefits payable

(1) Details of employee benefits payable

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

(2) Details of short-term employee benefits payable

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

(3) Details of defined contribution plans

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

27. Taxes payable

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

28. Other payables

(1) By classification

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

(2) Interests payable

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

(3) Dividend payable

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

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

(4) Other payables

① Other payables presented by nature of funds

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

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

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

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

29. Non-current liabilities maturing within one year

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

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

30. Other current liabilities

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

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

31. Long-term borrowings

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

32. *Bonds payable*

(1) Bonds payable

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

(2) Increase/decrease of bonds payable

Bond	Nominal value	Issuance date	Maturity period	Issuance amount	December 31st 2018
18 Gotion Green Bond 01	500,000,000.00	April 12th 2018	5 years	500,000,000.00	496,721,337.35
18 Gotion Green Bond 02	500,000,000.00	November 14th 2018	5 years	500,000,000.00	496,398,153.84
Convertible corporate bonds	1,850,000,000.00	December 17th 2019	6 years	1,850,000,000.00	—
Total	**2,850,000,000.00**			**2,850,000,000.00**	**993,119,491.19**

(continued)

Bond	Issuance during the period	Interest accrued at nominal value	Amortisation of premium or discount	Repayment during the period	December 31st 2019
18 Gotion Green Bond 01	—	33,116,319.63	2,662,343.03	32,500,000.00	497,337,656.97
18 Gotion Green Bond 02	—	38,181,398.32	2,920,447.84	37,500,000.00	497,073,514.88
Convertible corporate bonds	1,471,894,940.27	—	—	—	1,471,894,940.27
Total	**1,471,894,940.27**	**71,297,717.95**	**5,582,790.87**	**70,000,000.00**	**2,466,306,112.12**

(3) About the conditions and time for the conversion of convertible corporate bonds to shares:

With the approval of China Securities Regulatory Commission by the document numbered "Zheng Jian FA Xing Zi [2019] No. 2310", the Company publicly issued 18.5 million convertible corporate bonds on December 17, 2019, with a face value of RMB100 each and a total amount of RMB185,000.00, and a term of 6 years. The stated interest rate of the convertible bonds issued by the Company is 0.4% in the first year, 0.6% in the second year, 1.0% in the third year, 1.5% in the fourth year, 1.8% in the fifth year and 2.0% in the sixth year. Such interest will be paid on a quarterly basis, and the first interest will be paid on December 17, 2020. The conversion period starts from the first trading day (including June 23, 2020) after six months after the date of issue (December 23, 2019) and ends on the trading day (including that day) before the maturity date of convertible corporate bonds (December 17, 2025). The holders may apply for conversion during the conversion period. The initial conversion price at the time of issue of the convertible corporate bonds is RMB12.21 per share.

33. *Long-term payables*

(1) Presented by classification

Item	December 31st 2019	December 31st 2018
Long-term payables	1,068,526,975.06	679,100,000.00
Subtotal	1,068,526,975.06	679,100,000.00
Less: Long-term payables maturing within one year	198,711,920.50	—
Total	**869,815,054.56**	**679,100,000.00**

(2) Long-term payables presented by nature of funds

Item	December 31st 2019	December 31st 2018
Financial lease funds payable	478,726,975.06	—
Equity repurchase funds payable	589,800,000.00	679,100,000.00
Subtotal	1,068,526,975.06	679,100,000.00
Less: long-term payables maturing within one year	198,711,920.50	—
Total	**869,815,054.56**	**679,100,000.00**

34. *Provisions*

Item	December 31st 2019	December 31st 2018	Reason for formation
Product quality assurance	307,625,186.53	395,076,850.99	Estimated quality warranty money
Others	675,180.00	675,180.00	Leasing product insurance
Total	**308,300,366.53**	**395,752,030.99**	

35. *Deferred income*

(1) Deferred income

Item	December 31st 2018	Increase in current period	Decrease in current period	December 31st 2019	Reason for formation
Government subsidies	288,901,274.93	53,586,800.00	55,667,629.57	286,820,445.36	Receipt of government grants
Unrealized loss and profit on the after sales leaseback	—	25,234,104.99	853,355.45	24,380,749.54	Formation of finance lease
Total	**288,901,274.93**	**78,820,904.99**	**50,278,385.02**	**311,201,194.90**	

(2) Projects involving government subsidies

Projects	December 31st 2018	New subsidies for the current period	Amount included in other income during the current period	Other changes	December 31st 2019	Related to assets/ income
Subsidy of Economic & Trade Development Bureau of Xinzhan District for strengthening the core competence of manufacturing industry in 2016	79,611,524.23	—	9,940,170.92	—	69,671,353.31	Related to assets
Key special subsidy for "New Energy Automobile" by the High Technology Research and Development Center, MOST	52,988,150.89	10,500,000.00	10,017,800.00	—	53,470,350.89	Related to assets
Subsidy for 2016 national intelligent standard application projects by Hefei Economic and Information Technology Commission	30,822,688.04	—	3,852,835.96	—	26,969,852.08	Related to assets
Support for annual output of 600 million by construction fund of "Three Priorities and One Innovation" of Anhui Province in 2017	24,659,300.00	—	7,397,790.00	—	17,261,510.00	Related to assets
Fixed-assets support subsidy	—	12,000,000.00	400,000.00	—	11,600,000.00	Related to assets
Subsidy for fixed-asset investment received from the management committee	11,127,649.12	—	519,578.95	—	10,608,070.17	Related to assets
Fixed-assets support subsidy	—	10,000,000.00	416,666.67	—	9,583,333.33	Related to assets
2017 national new energy vehicle key project high safety and high specific energy lithium ion	12,657,310.80	2,130,000.00	—	5,980,400.00	8,806,910.80	Related to assets
Financial incentive fund (land)	8,245,300.00	—	—	—	8,245,300.00	Related to assets
Guidance fund project for 2014 provincial strategic emerging industry development in Hefei	9,250,000.11	—	1,480,000.00	—	7,770,000.11	Related to assets
Industry revitalization and technological transformation project	10,917,254.27	—	3,264,313.32	—	7,652,940.95	Related to assets
Promotion for automation of industrialized and standardized ternary cell by the Economic & Trade Development Bureau of Xinzhan District	5,000,000.00	5,000,000.00	3,000,000.00	—	7,000,000.00	Related to assets
Special funds for intelligent switchgear	7,591,953.58	—	779,333.30	—	6,812,620.28	Related to assets
Return of infrastructure supporting fees	5,260,000.00	—	—	—	5,260,000.00	Related to assets
Construction of "Three Priorities and One Innovation"	5,891,500.00	—	638,245.83	—	5,253,254.17	Related to assets

Projects	December 31st 2018	New subsidies for the current period	Amount included in other income during the current period	Other changes	December 31st 2019	Related to assets/ income
Subsidy for fixed assets	6,257,127.38	—	1,079,076.00	—	5,178,051.38	Related to assets
Subsidies from the Economic and Information Technology Commission in the first half of 2018	4,674,022.50	—	510,607.50	—	4,163,415.00	Related to assets
Subsidies for new energy vehicles promotion	3,600,000.00	1,800,000.00	1,560,000.00	—	3,840,000.00	Related to assets
Promotion for development of lithium-ion power battery production line by the Economic & Trade Development Bureau of Xinzhan District	5,000,000.00	—	1,500,000.00	—	3,500,000.00	Related to assets
Subsidy for industry development of Hefei in the second half of 2018	—	5,000,000.00	1,500,000.00	—	3,500,000.00	Related to assets
Return of infrastructure supporting fees	3,433,708.12	—	183,131.10	—	3,250,577.02	Related to assets
Inclusive rewards and subsidies to support industrial enterprises' investment in technology and equipment	—	3,000,000.00	600,000.00	—	2,400,000.00	Related to assets
Subsidy received from the financial system of Anhui Science and Technology Department	—	2,000,000.00	333,333.33	—	1,666,666.67	Related to assets
Hefei Financial Treasury Payment Center	—	1,500,000.00	—	—	1,500,000.00	Related to assets
Technological transformation project for equipment	1,298,880.08	—	133,333.30	—	1,165,546.78	Related to assets
Key and special "Solid Waste Reclamation" of the national key research and development program of China	—	656,800.00	—	262,200.00	394,600.00	Related to assets
Special fund for technical research on key technologies of lithium-ion battery and key system	399,905.81	—	103,813.39	—	296,092.42	Related to assets
FCZW-38.5 special guiding funds for key industrial technological transformation of prefabricated substation projects	95,000.00	—	95,000.00	—	—	Related to assets
Municipal science and technology plan projects and financially funded science and technology funds	120,000.00	—	120,000.00	—	—	Related to assets
Total	**288,901,274.93**	**53,586,800.00**	**49,425,029.57**	**6,242,600.00**	**286,820,445.36**	

36. Share capital

	December 31st 2018	Increase or decrease (+, -): Share newly issued	Shares donated	Shares transferred from capital reserves	Others	Subtotal	December 31st 2019
Total number of shares	1,136,650,819.00	—	—	—	—	—	1,136,650,819.00

37. Capital reserves

Item	December 31st 2018	Increase in the current period	Decrease in the current period	December 31st 2019
Capital premium (share premium)	4,570,704,007.83	347,487,135.20	80,123,513.00	4,838,067,630.03
Other capital reserves	—	29,208,661.69	—	29,208,661.69
Total	**4,570,704,007.83**	**376,695,796.89**	**80,123,513.00**	**4,867,276,291.72**

38. Treasury shares

Item	December 31st 2018	Increase in the current period	Decrease in the current period	December 31st 2019
Restricted shares incentive plan	168,258,336.92	—	—	168,258,336.92
Equity of the parent company held by subsidiaries	59,000,000.00	—	—	59,000,000.00
Share repurchase	176,699,032.00	23,267,880.21	160,247,026.00	39,719,886.21
Total	**403,957,368.92**	**23,267,880.21**	**160,247,026.00**	**266,978,223.13**

39. Other comprehensive income

Item	December 31st 2018	Change in accounting policy	January 1st 2019
I. Other comprehensive incomes that cannot be reclassified into profits and losses later	—	126,021,871.05	126,021,871.05
Including: Changes in fair values of the other equity instrument investments	—	126,021,871.05	126,021,871.05
II. Other comprehensive income that will be			
III. Reclassified to profits and losses later	6,695,300.69	—	6,695,300.69
Including: Translation difference of foreign currency financial statements	6,695,300.69	—	6,695,300.69
Total other comprehensive income	6,695,300.69	126,021,871.05	132,717,171.74

(continued)

Item	Amount incurred before income tax in the current period	Less: amount included in other comprehensive income previously and then transferred into current profits and losses	Amount incurred in the current period Less: income tax expense	Attributable to parent company after tax	Attributable to minority stockholders after tax	December 31st 2019
I. Other comprehensive incomes that cannot be reclassified into profits and losses later	-123,252,882.36	—	—	—	—	2,768,988.69
Changes in fair values of the other equity instrument investments	-123,252,882.36	—	—	—	—	2,768,988.69
II. Other comprehensive income that will be reclassified to profits and losses later	—	—	—	—	—	—
Translation difference of foreign currency financial statements	2,488,079.80	—	—	—	—	9,183,380.49
Total other comprehensive income	**-120,764,802.56**	**—**	**—**	**—**	**—**	**11,952,369.18**

40. Surplus reserves

Item	December 31st 2018	Change in accounting policy	January 1, 2019	Increase in current period	Decrease in current period	December 31st 2019
Statutory surplus reserves	158,973,015.65	—	158,973,015.65	—	—	158,973,015.65

41. Retained earnings

Item	2019	2018
Retained earnings at the end of the previous period before adjustment	3,056,995,536.36	2,606,816,889.83
Adjustment for the total amount of retained profits at the beginning of the period (increase, decrease, +/-)	—	—
Retained earnings at the beginning of this period after adjustment	3,056,995,536.36	2,606,816,889.83
Plus: net profit attributable to the owner of the parent company in the current period	51,253,825.33	580,345,487.56
Less: Appropriation of statutory surplus reserve	—	16,501,759.13
Appropriation of any surplus reserve	—	—
Appropriation of general risk reserve	—	—
Ordinary share dividends payable	112,089,925.90	113,665,081.90
Ordinary share dividend converted to share capital	—	—
Retained earnings at the end of the period	2,996,159,435.79	3,056,995,536.36

42. Operating revenue and operating cost

Item	2019 Income	2019 Cost	2018 Income	2018 Cost
Primary business	4,820,838,662.00	3,296,324,137.44	4,991,069,080.18	3,601,852,125.37
Other businesses	138,059,920.32	49,129,538.01	135,926,113.38	28,804,534.10
Total	4,958,898,582.32	3,345,453,675.45	5,126,995,193.56	3,630,656,659.47

(1) Operating business (by products)

Product category	2019 Income	2019 Cost	2018 Income	2018 Cost
Power lithium battery products	4,320,979,393.30	2,879,217,805.72	4,559,954,846.76	3,246,804,391.56
Transmission and distribution products	499,859,268.70	417,106,331.72	431,114,233.42	355,047,733.81
Total	**4,820,838,662.00**	**3,296,324,137.44**	**4,991,069,080.18**	**3,601,852,125.37**

(2) Operating business (by region)

Region	2019 Income	2019 Cost	2018 Income	2018 Cost
Mainland China	4,798,692,646.02	3,284,033,493.41	4,944,942,878.28	3,564,341,529.07
Offshore (including Hong Kong, Macao and Taiwan)	22,146,015.98	12,290,644.03	46,126,201.90	37,510,596.30
Total	**4,820,838,662.00**	**3,296,324,137.44**	**4,991,069,080.18**	**3,601,852,125.37**

(3) Operating income of top five customers of the Company

Customer	Operating income	Percentage to all operating income of the Company for the current period
		(%)
The First	1,152,852,905.69	23.25
The Second	882,173,010.74	17.79
The Third	458,931,154.62	9.25
The Fourth	356,263,842.79	7.18
The Fifth	295,920,636.60	5.97
Total	**3,146,141,550.44**	**63.44**

43. Taxes and surcharges

Item	2019	2018
Urban maintenance and construction tax	1,593,199.27	6,808,327.22
Real estate tax	15,994,682.74	13,482,220.34
Land usage tax	8,216,253.76	7,850,800.44
Educational surcharges	986,637.48	3,389,275.88
Local educational surcharges	667,351.26	2,258,183.91
Stamp tax	5,457,150.01	3,415,285.62
Others	5,150,928.67	3,723,568.64
Total	**38,066,203.19**	**40,927,662.05**

44. Selling expenses

Item	2019	2018
Quality assurance and after-sales service expenses	183,891,076.97	133,488,844.92
Employee compensation	53,408,091.44	49,124,287.20
Logistics transportation charge	52,522,430.33	40,359,912.06
Travel expense	17,183,537.16	19,651,471.15
Reception and business publicity expenses	5,878,801.35	12,087,928.74
Bidding and tendering cost	3,957,553.12	8,924,444.62
Water and electricity and office expenses	4,920,930.99	7,210,838.66
Depreciation and amortization	5,262,191.32	6,819,155.03
Others	6,854,489.20	4,040,882.57
Total	**333,879,101.88**	**281,707,764.95**

45. Administrative expenses

Item	2019	2018
Employee compensation	204,405,449.16	153,351,915.88
Water and electricity and office expenses	48,816,601.97	62,826,969.66
Depreciation and amortization	62,613,282.11	51,740,627.60
Intermediary service fee	33,697,891.11	16,597,345.71
Business entertainment and promotion expenses	10,734,517.29	16,180,214.07
Sporadic projects and housing renovation	15,132,721.93	14,469,654.44
Travel expense	6,638,744.18	12,259,382.56
Logistics and transportation expenses	3,407,726.11	9,317,392.89
Equity incentive fees	—	-4,682,200.00
Others	12,492,229.38	11,557,733.46
Total	**397,939,163.24**	**343,619,036.27**

46. R&D expenses

Item	2019	2018
R&D materials expenses	133,541,798.65	173,039,579.92
Employee compensation	188,434,043.77	72,685,479.25
Water and electricity and office expenses	20,330,323.49	8,032,494.65
Depreciation and amortization	47,649,365.01	37,452,255.21
Cooperative development and patent expenses	31,433,631.83	28,352,747.71
Test fee	5,931,554.25	17,155,834.64
Travel expense	6,869,691.93	7,177,170.68
Others	3,097,477.91	3,581,689.77
Total	**437,287,886.84**	**347,477,251.83**

47. Financial expense

Item	2019	2018
Interest expense	373,273,451.39	191,086,276.63
Less: interest income	95,325,866.05	80,469,861.37
Net interest expenditure	277,947,585.34	110,616,415.26
Net exchange losses	6,036,347.11	-10,162,923.35
Bank charges	6,877,178.52	7,175,444.65
Total	**290,861,110.97**	**107,628,936.56**

The increase by 170.24% of the finance cost from the end of 2018 to the end of 2019 was mainly due to the increase in interest expense on bank borrowings in the current period.

48. Other incomes

Item	2019	2018	Related to assets/ related to income
I. Government subsidies included in other gains	509,506,767.99	423,108,376.58	
Including: government subsidies relating to deferred income (related to assets)	49,425,029.57	22,836,182.87	Related to assets
Government subsidies relating to deferred income (related to income)	—	238,360,000.00	Related to income
Government subsidies directly included in current profit or loss (related to income)	460,081,738.42	161,912,193.71	Related to income
II. Other items related to daily operations and included in other income	—	—	
Total	**509,506,767.99**	**423,108,376.58**	

49. Investment income

Item	2019	2018
Long-term equity investment income accounted by equity method	-24,366,386.13	8,888,224.20
Investment income from disposal of long-term equity investments	—	61,165,805.31
Total	**-24,366,386.13**	**70,054,029.51**

The sharp decrease in investment incomes from 2018 to 2019 was mainly due to the disposal of equity interest of Suzhou Gotion,a subsidiary, in the first half of the year.

50. Credit impairment loss

Item	2019	2018
Loss on bad debt of notes receivable	-39,041,143.19	—
Loss on bad debts of accounts receivable	-174,734,736.57	—
Loss on bad debt of other receivables	-8,096,369.12	—
Loss on bad debts of long-term receivables	1,534,061.80	—
Total	**-220,338,187.08**	**—**

51. Asset impairment loss

Item	2019	2018
I. Loss on bad debt	—	-224,703,011.29
II. Inventory depreciation loss	-323,374,303.93	-8,811,922.90
Total	**-323,374,303.93**	**-233,514,934.19**

The increase in asset impairment loss by 38.48% from 2018 to 2019 was mainly due to the larger amount of provision for inventory depreciation loss accrued in current year.

52. Gains from disposal of assets

Item	2019	2018
Disposal gains or losses recognized when disposal of non-current assets classified as held for sale (excluding financial instrument, long-term equity investment and investment property) or disposal groups (save as subsidiaries and business)	—	—
Gains or losses from disposal of fixed assets, construction in progress, productive biological assets and intangible assets that are not classified as held for sale	2,014,019.12	4,724,882.54
Including: Fixed assets	2,014,019.12	-847,664.54
Intangible assets	—	5,572,547.08
Total	**2,014,019.12**	**4,724,882.54**

The decrease in gains from disposal of assets by 57.37% from 2018 to 2019 was mainly due to more proceeds from disposal of intangible assets in last period.

53. Non-operating income

(1) Breakdown of non-operating income

Item	2019	2018	Amount included in current non-recurring profit or loss
Penalty income	5,226,780.01	3,955,262.77	5,226,780.01
Government subsidies irrelevant to daily operation of the corporation	223,200.00	6,049,260.00	223,200.00
Others	183,349.25	504,201.76	183,349.25
Total	**5,633,329.26**	**10,508,724.53**	**5,633,329.26**

(2) Government subsidies irrelevant to the daily operation of the corporation

Item	2019	Related to assets/ related to income
2019 skills training subsidy from provinces with technological power	123,200.00	Related to income
2018 excellent corporate award	100,000.00	Related to income
Total	**223,200.00**	

The decrease in non-operating income by 46.39% from 2018 to 2019 was mainly due to the decrease in government subsidy irrelevant to daily activities of the corporation received this year.

54. Non-operating expenses

Item	2019	2018	Amount included in non-recurring profit or loss in current period
Expenditure on charity donation	1,943,768.70	3,576,559.66	1,943,768.70
Compensation expenses	9,949,548.27	—	9,949,548.27
Others	699,021.59	372,850.03	699,021.59
Total	**12,592,338.56**	**3,949,409.69**	**12,592,338.56**

55. *Income tax expense*

(1) Statement of income tax expense

Item	2019	2018
Current income tax expense	112,030,482.43	122,879,893.46
Deferred income tax expense	-108,468,885.88	-58,655,626.50
Total	**3,561,596.55**	**64,224,266.96**

(2) Adjustment process of accounting profit and income tax expense

Item	2019	2018
Total profit	51,894,341.42	645,909,551.71
Income tax expense calculated according to statutory/applicable tax rate	12,973,585.36	161,477,387.93
Influence of application of different tax rates by subsidiaries	13,106,860.77	-84,166,840.04
Influence of adjustment to income tax of prior periods	-3,431,386.13	-429,911.26
Influence of non-taxable income	2,026,837.16	—
Influence of non-deductible costs, expenses and losses	409,289.69	1,642,706.97
Influence of deductible loss on utilisation of deferred tax assets that were not recognized in the previous period	—	—
Influence of deductible temporary differences or deductible losses of unrecognized deferred tax assets in the current period	19,561,404.66	13,180,989.47
Additional deduction of R&D expenditures	-41,084,994.95	-27,480,066.11
Income tax expense	3,561,596.55	64,224,266.96

56. *Other comprehensive income*

For details of other comprehensive income items and their transfers into profit or loss and reconciliation of other comprehensive income items, please refer to Note V. 39 Other comprehensive income.

57. *Notes to items in the Statement of Cash Flows*

(1) Other cash received from operating activities

Item	2019	2018
Government subsidies	339,510,988.88	304,726,253.71
Guarantee deposits	26,838,640.13	9,757,275.00
Current accounts	4,222,051.68	11,277,613.65
Others	13,692,897.86	9,381,808.98
Total	**384,264,578.55**	**335,142,951.34**

(2) Other cash paid for operating activities

Item	2019	2018
Asset management plan receivables	—	660,967,848.42
R&D expenditures	201,204,478.06	237,339,517.37
Water and electricity and office expenses	53,737,532.96	70,037,808.32
Logistics transportation charge	55,930,156.44	49,677,304.95
Travel expense	23,822,281.34	31,910,853.71
Reception and business publicity expenses	16,613,318.64	28,268,142.81
Intermediary service fee	33,697,891.11	16,597,345.71
Others	72,816,400.88	15,598,616.04
Sporadic projects and housing renovation	15,132,721.93	14,469,654.44
Deposits	26,200,000.00	9,757,275.00
Bidding and tendering cost	3,957,553.12	8,924,444.62
Quality assurance and after-sales service expenses	6,935,723.00	4,052,820.88
Total	**510,048,057.48**	**1,147,601,632.27**

(3) Other cash receipts relating to investing activities

Item	2019	2018
Interest income	96,022,266.05	81,169,792.55

(4) Other cash paid for investing activities

Item	2019	2018
Borrowings to related parties	40,000,000.00	—
Total	**40,000,000.00**	**—**

(5) Other cash receipts relating to financing activities

Item	2019	2018
Equity incentive subscription fund	80,123,513.00	—
Loans from non-financial institutions	—	6,000,000.00
Total	**80,123,513.00**	**6,000,000.00**

(6) Other cash paid for financing activities

Item	2019	2018
Repayment to non-financial institutions	50,000,000.00	224,000,000.00
Acceptance deposit paid	256,085,683.65	402,210,613.28
Amount for repurchase of shares	23,267,880.21	176,699,032.00
Payment for issuance of bonds and other financing activities	—	625,141.50
Total	**329,353,563.86**	**803,534,786.78**

58. Supplementary information to the Statement of Cash Flows

(1) Supplementary information to the Statement of Cash Flows

Supplementary information	2019	2018
1. Net profit adjusted to cash flows from operating activities:		
Net profit	48,332,744.87	581,685,284.75
Plus: provision for asset impairment	320,175,505.51	233,514,934.19
Credit impairment losses	220,338,187.08	—
Depreciation of fixed assets, investment property, oil and gas assets and productive biological assets	491,503,127.71	332,766,945.54
Amortization of intangible assets	31,449,322.77	17,525,422.57
Amortization of long-term deferred expenses	-4,116,324.42	3,302,345.38
Loss from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-2,014,019.12	-4,724,882.54
Losses from write-off of fixed assets ("-" for gains)	—	—
Losses from changes in fair value ("-" for gains)	—	—
Financial expenses ("-" for gains)	283,983,932.45	93,535,594.54
Investment loss ("-" for gains)	24,366,386.13	-70,054,029.51
Decrease in deferred tax assets ("-" for increase)	-114,875,751.31	-55,433,744.66
Increase in deferred tax liabilities ("-" for decrease)	6,406,865.43	-3,221,881.84
Decrease in inventories ("-" for increase)	-2,001,872,060.25	-889,464,643.59
Decrease in operating receivables ("-" for increase)	-394,564,728.48	-2,810,397,889.56
Increase in operating payables ("-" for decrease)	407,692,613.38	1,017,009,013.71
Others	—	-4,682,200.00
Net cash flow from operating activities	-683,194,198.25	-1,558,639,731.02
2. Significant investing and financing activities that do not involve in cash receipts and payments:		
Conversion of debt into capital	—	—
Convertible corporate bonds maturing within 1 year	—	—
Fixed assets acquired under finance leases	—	—
3. Net changes in cash and cash equivalents:		
Closing balance of cash	2,677,963,153.23	2,347,271,062.28
Less: Opening balance of cash	2,347,271,062.28	4,532,955,865.63
Plus: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	330,692,090.95	-2,185,684,803.35

(2) Composition of cash and cash equivalents

Item	December 31st 2019	December 31st 2018
I. Cash	2,677,963,153.23	2,347,271,062.28
Including: cash on hand	192,424.17	677,666.40
Bank deposit for payment at any time	2,677,770,729.06	2,346,593,395.88
Other monetary capital for payment at any time	—	—
II. Cash equivalents	—	—
Including: Bond investment maturing within three months	—	—
III. Closing balance of cash and cash equivalents	2,677,963,153.23	2,347,271,062.28

59. Assets with Restriction in Ownership or Use Rights

Item	Book value at December 31st 2019	Cause of restriction
Cash and bank balances	936,786,540.95	Guaranteed deposit
Notes receivable	17,340,000.00	Pledged
Accounts receivable	154,172,990.58	Pledged
Fixed assets	524,029,483.42	Finance lease
Fixed assets	656,894,963.33	Secured
Intangible assets	316,244,941.03	Secured
Long-term receivables	90,203,808.00	Pledged
Non-current assets maturing within one year	40,545,480.88	Pledged
Total	**1,799,431,667.24**	

60. Monetary Items of Foreign Currencies

Item	Balance in foreign currency at December 31st 2019	Exchange rate for conversion	Balance of RMB converted at December 31st 2019
Cash and bank balances			11,313,108.07
Including: USD	1,546,741.08	6.9762	10,790,375.12
EUR	6,153.00	7.8155	48,088.77
JPY	324,479.45	0.0641	20,794.59
SGD	87,719.05	5.1739	453,849.59
Accounts receivable			111,855,261.16
Including: USD	16,033,838.07	6.9762	111,855,261.16
Long-term borrowings			69,762,000.00
Including: USD	10,000,000.00	6.9762	69,762,000.00

61. Government Grants

(1) Government grants relating to assets

Details of government grants relating to assets are set out in Note V. 35 Deferred income.

(2) Government grants relating to income

Item	Amount	Balance sheet items presented	Amounts included in current profits and losses or for offsetting relevant cost losses		Presented items included in current profits and losses or for offsetting relevant cost losses
			2019	2018	
Product R&D and large-scale production incentive funds in Lujiang County	350,000,000.00	—	350,000,000.00		Other income
Industrial Assistance Fund of Lubei Xinxing Manufacturing Park Management Committee	27,475,199.94	—	27,475,199.94		Other income
Unemployment insurance and job stabilizing returns from Hefei Municipal Finance Bureau	23,554,010.00	—	23,554,010.00		Other income
"Three Priorities and One Innovation" in 2018	16,794,700.00	—	16,794,700.00	—	Other income

Item	Amount	Balance sheet items presented	Amounts included in current profits and losses or for offsetting relevant cost losses		Presented items included in current profits and losses or for offsetting relevant cost losses
			2019	2018	
2018 Provincial Strategic Emerging Industry Cluster Development Base Construction Project—R&D .	7,320,000.00	—	7,320,000.00	—	Other income
New energy vehicle and intelligent connected vehicle industry technology innovation project . . .	7,020,000.00	—	7,020,000.00	—	Other income
Scientific research poverty alleviation fund in Lujiang High-tech Zone . .	6,040,000.00	—	6,040,000.00	—	Other income
National 2018 Industrial Transformation and Upgrading (Made in China 2025) Fund	3,600,000.00	—	3,600,000.00	—	Other income
Article 52 of the National Science and Technology Major Special Award fulfilled under the Independent Innovation Policy of Municipal Science and Technology Bureau	2,180,000.00	—	2,180,000.00	—	Other income
Technology Innovation Award in New energy vehicle industry	2,003,900.00	—	2,003,900.00	—	Other income
Construction fund of "Three Priorities and One Innovation" by the Economic & Trade Development Bureau of Xinzhan District.	2,000,000.00	—	2,000,000.00	—	Other income
2018 Hefei Independent Innovation Policy Subsidy	1,321,000.00	—	1,321,000.00	—	Other income
Incentive from Development and Reform Bureau of Lubei district . .	1,000,000.00	—	1,000,000.00	—	Other income
Construction and private economic development awards and subsidies from provinces with strong manufacturing power in 2019 . . .	1,000,000.00	—	1,000,000.00	—	Other income
Summary of other government subsidy projects	8,996,128.48	—	8,996,128.48	—	Other income/ non-operating income
Total	**460,304,938.42**	**—**	**460,304,938.42**	**—**	

VI. Changes in Consolidation Scope

Change in consolidation scope for other reasons

In May 2019, Nanjing Gotion established Nanjing Research Institute, a wholly-owned subsidiary; in June 2019, Hefei Gotion established Sichun Gotion, a wholly-owned subsidiary; in September 2019, Hefei Gotion established Hefei Jiachi, a holding subsidiary, therefore Nanjing Research Institute, Sichuan Gotion and Hefei Jiachi were included in the consolidation scope.

VII. Interest in Other Entities

1. *Equity in subsidiaries*

(1) Composition of the corporate group

Name of subsidiary	Principal place of business	Place of registration	Business nature	Shareholding (%) Direct	Indirect	Way of acquisition
Taifu Company	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	100.00	Establishment
Suzhou Tianli	Suzhou, Jiangsu	Suzhou, Jiangsu	Industrial production	—	100.00	Establishment
Asitong Company	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	68.66	Establishment
Intelligent Company	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	100.00	Establishment
Dongyuan Electrical	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	99.82	0.18	Establishment
New Energy Technology	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	100.00	Establishment
Hefei Gotion	Hefei, Anhui	Hefei, Anhui	Industrial production	100.00	—	Reverse purchase
Gotion New Energy	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Reverse purchase
Guorui New Energy*1	Chaohu, Anhui	Chaohu, Anhui	Industrial production	—	65.00	Reverse purchase
Shanghai Xuanyi	Shanghai	Shanghai	R&D and sales	—	100.00	Reverse purchase
USA Gotion	USA	California, USA Fremont, Asia	R&D	—	100.00	Reverse purchase
Nanjing Gotion	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production	—	100.00	Reverse purchase
Lujiang Gotion	Lujiang, Anhui	Hefei, Anhui	Industrial production	—	95.23	Reverse purchase
Shanghai Gotion	Shanghai	Shanghai	R&D	—	100.00	Establishment
Qingdao Gotion	Qingdao, Shandong	Qingdao, Shandong	Industrial production	—	100.00	Establishment
Tangshan Gotion*2	Tangshan, Hebei	Tangshan, Hebei	Industrial production	—	100.00	Establishment
Luzhou Gotion*3	Luzhou, Sichuan	Luzhou, Sichuan	Industrial production	—	—	Establishment
Lujiang New Energy	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Establishment
Japan Gotion	Japan	Ibaraki, Japan	R&D	—	100.00	Establishment
Gotion Coating	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Establishment
Xuanyi Investment	Hefei, Anhui	Hefei, Anhui	Investment and management	—	100.00	Establishment
Gotion Storage	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Establishment
Nanjing New Energy*4	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production	—	100.00	Establishment
EDZ Gotion	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Establishment
Hong Kong Gotion	Hong Kong	Hong Kong	R&D	100.00	—	Establishment
Singapore Gotion	Singapore	Singapore	R&D	—	100.00	Establishment
Sichuan Gotion	Chengdu, Sichuan	Chengdu, Sichuan	Industrial production	—	100.00	Establishment
Nanjing Research Institute	Nanjing, Jiangsu	Nanjing, Jiangsu	R&D	—	100.00	Establishment
Hefei Jiachi*5	Hefei, Anhui	Hefei, Anhui	Industrial production	—	88.89	Establishment

*Note *1:* Hefei Guorui New Energy Automobile Technology Co., Ltd. was established by Hefei Gotion at a subscription contribution of 55.00% as stipulated under the articles of association. The actual contribution of the Company is 65.00% at present.

*Note *2:* Aerospace GuoXuan (Tangshan) Lithium Battery Co., Ltd was established by Hefei Gotion at a subscription contribution of 51.00% as stipulated under the articles of association. The actual contribution of the Company is 100.00% at present.

*Note *3:* Gotion Kangsheng (Luzhou) Battery Co., Ltd was established by Hefei Gotion at a subscription contribution of 51.00% as stipulated under the articles of association. None of shareholders has actually made contribution at present.

*Note *4:* Nanjing Gotion New Energy Co., Ltd was established by Hefei Gotion at a subscription contribution of 70.00% as stipulated under the articles of association. The actual contribution of the Company is 100.00% at present.

*Note *5:* Hefei Jiachi Technology Co., Ltd was established by Hefei Gotion at a subscription contribution of 80.00% as stipulated under the articles of association. The actual contribution of the Company is 88.89% at present.

(2) *Major non-wholly-owned subsidiaries*

Name of subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders in the current period	Dividend declared to minority shareholders in the current period	Closing balance of minority equity
Asitong Company	31.34%	-5,837,197.10	—	13,041,119.98
Lujiang Gotion	4.77%	2,877,125.99	—	123,668,462.06
Hefei Jiachi	11.11%	-366,692.50	—	9,633,307.50
Guorui New Energy	35.00%	-204,720.89	—	5,458,379.84

(3) *Main financial information of major non-wholly-owned subsidiaries*

Name of subsidiaries	December 31st 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Asitong Company	125,092,084.15	9,413,780.60	134,505,864.75	83,038,256.21	—	83,038,256.21
Lujiang Gotion	3,257,061,721.45	615,656,839.44	3,872,718,560.89	840,285,881.40	441,974,739.34	1,282,260,620.74
Hefei Jiachi	88,512,584.19	997,303.90	89,509,888.09	2,810,120.55	—	2,810,120.55
Guorui New Energy	181,619.91	26,109,051.09	26,290,671.00	2,450,000.00	8,245,300.00	10,695,300.00

(continued)

Name of subsidiaries	December 31st 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Asitong Company	150,313,598.12	6,736,435.49	157,050,033.61	88,904,719.08	—	88,904,719.08
Lujiang Gotion	2,789,844,330.72	527,847,360.66	3,317,691,691.38	553,634,248.15	521,693,171.62	1,075,327,419.77
Hefei Jiachi	—	—	—	—	—	—
Guorui New Energy	1,378,715.67	26,696,872.17	28,075,587.84	3,650,000.00	8,245,300.00	11,895,300.00

(continued)

Name of subsidiaries	2019			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Asitong Company	93,229,000.72	-16,677,705.99	-16,677,705.99	-16,046,716.88
Lujiang Gotion	1,140,964,178.87	198,093,670.78	198,093,670.78	-188,880,037.98
Hefei Jiachi	-4,297,536.36	-3,300,232.46	-3,300,232.46	-2,336,556.99
Guorui New Energy	—	-584,916.84	-584,916.84	-1,196,845.76

(continued)

Name of subsidiaries	2018			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Asitong Company	129,025,183.81	4,944,251.87	4,944,251.87	5,365,124.83
Lujiang Gotion	1,149,714,837.09	247,158,331.41	247,158,331.41	75,057,012.80
Hefei Jiachi	—	—	—	—
Guorui New Energy	—	-599,232.42	-599,232.42	-57,447.50

2. *Transactions which lead to changes in owners' equity in a subsidiary but still has control over the subsidiary*

(1) Explanation of changes in owners' equity in a subsidiary

In July 2019, Anhui Jintong New Energy Automobile Fund (Phase I) Partnership (L.P.) injected RMB149,999,997.76 to Lujiang Gotion for capital increase, upon which, it held 4.77% equity interest of Lujiang Gotion.

(2) The transaction's impact on the interest of minority shareholders and equity attributable to owners of the parent

	Lujiang Gotion
Cost of purchase/consideration for disposal	149,999,997.76
— Cash	149,999,997.76
Total cost of purchase/consideration for disposal	149,999,997.76
Less: Share of net asset of subsidiaries calculated at the shareholding proportion obtained/disposed of	120,791,336.07
Difference	29,208,661.69
Including: Adjustment to capital reserve	29,208,661.69

3. *Equity in associates*

(1) Insignificant associates

Name of associates	**Principal place of operation**	**Place of registration**	**Business nature**	**Shareholder proportion (%)**		**Accounting treatment method for investment in joint ventures or associates**
				Direct	**Indirect**	
Hefei Xingyuan	Lujiang, Anhui	Lujiang, Anhui	Industrial production	—	26.92	Equity method
MCC Ramu	Tangshan, Hebei	Tangshan, Hebei	Industrial production	—	30.00	Equity method
Shanghai Electric Gotion	Shanghai	Shanghai	Industrial production	43.00	—	Equity method
Tongguan Gotion	Hefei, Anhui	Hefei, Anhui	Industrial production	—	11.25	Equity method
Gotion full-service	Beijing	Beijing	Industrial production	—	25.00	Equity method
Litong Energy	Taiwan	Taiwan	Industrial production	—	20.00	Equity method
Full-service Oil & Gas	Beijing	Beijing	Industrial production	—	40.00	Equity method

VIII. Risks relating to financial instruments

The risks relating to financial instruments of the Company arise from various financial assets and liabilities recognized by the Company in the course of operation, including credit risk, liquidity risk and market risks.

The management of the Company shall be responsible for formulating the management objectives and policies of various risks relating to financial instruments of the Company. The operation and management level are responsible for daily risk management via the functional departments. The internal audit department of the Company shall supervise the implementation of the Company's risk management policies and procedures on a daily basis, and report relevant findings to the Company's Audit Committee in a timely manner.

The Company's overall objective of risk management is to formulate risk management policies to minimize risks relating to financial instruments without unduly affecting the competitiveness and resilience of the Company.

1. Credit risk

Credit risk refers to the risk that one party to a financial instrument fails to fulfill its obligations, causing financial loss to the other party. The Company's credit risks mainly arise from cash and cash equivalents, notes receivable, accounts receivable, other receivables and long-term receivables. The credit risks of these financial assets originate from counterparty default, and the maximum risk exposure is equal to the carrying amount of these instruments.

Cash and cash equivalents of the Company are mainly deposited in financial institutions such as commercial banks. The Company believes that the commercial banks have good reputation and asset status with low credit risks.

For notes receivable, accounts receivable, other receivables and long-term receivables, the Company has adopted relevant policies to control the exposure to the credit risks. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

2. Liquidity risk

Liquidity risk refers to the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company is responsible for co-coordinating cash management work for subsidiaries within the Company, including short-term investment of cash surpluses and loan financing to meet expected cash demands. The Company's policy is to regularly monitor short-term and long-term working capital requirements, and to verify compliance with lending covenants so as to ensure that it maintains sufficient reserves of cash and readily realizable securities.

3. Market risk

(1) Foreign exchange risk

The Company's exchange rate risks mainly come from the foreign currency assets and liabilities held by the Company and its subsidiaries and priced by the currency other than the functional currency. Foreign exchange risk assumed by the Company is mainly related to the borrowings priced by HKD and USD. Except that the subsidiaries set in Hong Kong Special Administrative Region and overseas countries are priced and settled in HKD, USD, GBP, RMB or SGD, other major businesses of the Company are priced and settled in RMB.

(2) Interest rate risk

The interest rate risk of the Company principally arises from long-term interest-bearing debts, including long-term bank loans and bonds payable. Financial liabilities with floating interest rate expose the Company to interest rate risk in cash flows; financial liabilities with fixed interest rate expose the Company to interest rate risk in fair value. The Company determines the comparative proportion of fixed rate and floating rate according to the market environment.

The Company's finance department at headquarters has been monitoring the level of interest rates. Interest rate rises will increase the cost of new interest-bearing debts and interest expenses of outstanding interest-bearing debts at variable rates, and have a material adverse impact on financial results of the Company. According to the latest market conditions, the Management will make timely adjustments.

IX. Related Party Relationships and Transactions

Basis for determination of related parties: one party controls, jointly controls or exerts significant influence on another party, and two or more parties are controlled, jointly controlled or significantly influenced by one party.

1. Information on Parent Company of the Company

Name of the Parent Company	Place of registration	Business nature	Registered capital	Percentage of the Company's equities held by the parent Company	Ratio of voting right of the parent company in the Company
				(%)	*(%)*
Zhuhai Gotion Trading Co., Ltd.	Room 201, No. 25, Hongqiao 1st Road, Baijiao Science and Technology Industrial Park, Doumen District, Zhuhai	Commercial wholesale and retail	1,983.00	24.84	24.84

① Description of the Parent Company of the Company: the establishment of Zhuhai Gotion Trading Co., Ltd., the Parent Company of the Company, was approved by Zhuhai Administration for Industry and Commerce on April 15th 2005 with the unified social credit code of 91440400775081600P. The place of registration is Room 201, No. 25, Hongqiao 1st Road, Baijiao Science and Technology Industrial Park, Doumen District, Zhuhai. The legal representative is Li Zhen.

② The ultimate controller of the Company: the natural person, Li Zhen, directly holds 11.86% of the Company's equity interest and holds 24.84% equity interest of the Company indirectly through Zhuhai Gotion Trading Co., Ltd.. Li Zhen holds 36.70% equity interests of the Company in total and is the de facto controller of the Company.

2. Information on the Subsidiaries of the Company

For details of the subsidiaries of the Company, see Note VII. Equity in other entities.

3. *Information on the Joint Ventures and Associated Companies of the Company*

(1) Information on the Joint Ventures and Associated Companies of the Company

Name of the associates or joint ventures	Relationship with the Company
Hefei Xingyuan new energy material Co., Ltd.	The company holds 26.92% of its equity
MCC Ruimu New Energy Technology Co., Ltd.	The company holds 30.00% of its equity
Shanghai Electric Gotion New Energy Technology Co., Ltd.	The company holds 43.00% of its equity
Hefei Tongguan Gotion copper material Co., Ltd	The company holds 11.25% of its equity
Beijing Gotion full-service optical storage and charging technology Co., Ltd.	The company holds 25.00% of its equity
Litong Energy Technology Co., Ltd.	The company holds 20.00% of its equity
Beijing full-service oil and Gas Technology Co., Ltd	The company holds 40.00% of its equity

4. *Information on Other Related Parties of the Company*

Name of other related parties	Relationship with the Company
Nascent Investment. LLC	A company controlled by Li Chen, the son of the actual controller
Gotion Holdings Group Co., Ltd.	A company controlled by the actual controller
Hefei Aolai New Energy Automobile Sales Co., Ltd.	A company controlled by the actual controller
Hefei Qirong International Village Property Development Co., Ltd.	A company controlled by the actual controller
Anhui Minsheng Property Management Co., Ltd.	A company controlled by the actual controller
Anhui Tangchi Film and Television Cultural Industry Co., Ltd.	A company controlled by the actual controller
Anhui Gotion New Energy Investment Co., Ltd.	A company controlled by the actual controller
Anhui Guolian Property Co., Ltd.	A company controlled by the actual controller
Jiangsu Jiankang Automobile Co., Ltd.	Anhui government new energy investment Co., Ltd holds 11% shares and appoints directors
Lixin Electric Bus Co., Ltd.	A company controlled by the actual controller
Tunchang Xinhai New Energy Bus Co., Ltd.	A company controlled by the actual controller
Wenchang Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Huangshan Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Jingde Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Hebei Xinxuan Transportation Co., Ltd.	A company controlled by the actual controller
Anhui Xindadao Transportation Co., Ltd.	A company controlled by the actual controller
Yingshang Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Taihe Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Shanghai Dajiang Network Technology Co., Ltd.	A company controlled by the actual controller
Gotion New Energy (Suzhou) Co., Ltd.	A subsidiary of the associate Shanghai Electric Gotion
Anhui Guolian Property Co., Ltd.	A company controlled by the actual controller

5. Related-party transactions

(1) Related-party transactions for purchasing/selling commodities or rendering/ accepting labor services

Purchasing commodities or accepting labor service

Related party	Contents of related-party transaction	Amount incurred in 2019	Amount incurred in 2018
Hefei Tongguan Gotion copper material Co., Ltd	Copper foil	39,946,076.21	54,022,732.78
Shanghai Dajiang Network Technology Co., Ltd.	Information system	1,653,400.00	3,826,551.92
Hefei Xingyuan new energy material Co., Ltd.	Diaphragm	50,436,868.15	—
Gotion New Energy (Suzhou) Co., Ltd.	Battery pack	24,391,720.38	144,932,975.59
Anhui Minsheng Property Co., Ltd.	Property service	12,096,132.16	5,615,377.83
MCC Ruimu New Energy Technology Co., Ltd.	Labor service	328,700.00	—

Sales of commodities/rendering of services:

Related party	Contents of related-party transaction	Amount incurred in 2019	Amount incurred in 2018
Jiangsu Jiankang Automobile Co., Ltd.	Battery packs	—	146,449,412.16
Lixin Electric Bus Co., Ltd.. . .	Charging equipment	32,917,655.65	1,909,554.15
Tunchang Xinhai New Energy Bus Co., Ltd..	Charging equipment	—	446,551.72
Wenchang Avenue New Energy Bus Co., Ltd..	Charging equipment	—	563,793.10
Taihe Dadao New Energy Bus Co., Ltd.	Switchgear	—	1,431,896.55
Huangshan Dadao New Energy Bus Co., Ltd..	Charging equipment	—	1,448,275.86
Gotion New Energy (Suzhou) Co., Ltd.	Carbon coated aluminum foil, electrolyte	—	1,043,103.45
Shanghai Electric Gotion New Energy Technology Co., Ltd.	Controlling box	45,430,993.73	25,324,919.38
Jingde Dadao New Energy Bus Co., Ltd.	Charging equipment	192,000.00	—
Hebei Xinxuan Transportation Co., Ltd.	Charging equipment	765,000.00	—

(2) Related leases

The Company as a lessee:

Name of lessor	Type of leased assets	Lease expenses recognized in 2019	Lease expenses recognized in 2018
Anhui Gotion New Energy Investment Co., Ltd.	Property	402,187.50	804,375.00
Nascent Investment.LLC	Property	$96,000.00	$144,000.00

(3) Guaranteed by the related party

① As of December 31st 2019, Hefei Gotion, a subsidiary of the Company, acted as the guaranteed

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Gotion Holdings Group Co., Ltd., Li Zhen	200,000,000.00	2016/5/30	2019/5/30	Yes
Li Zhen	90,000,000.00	2019/7/12	2020/7/12	No
Li Zhen	260,050,601.58	2019/9/19	2022/9/19	No

② As of December 31st 2019, guarantee provided by the Company to other related parties

Guarantor	Amount of guarantee	Starting date of guarantee	Maturity date of guarantee	Guarantee fulfilled or not
MCC Ramu New Energy Technology Co., Ltd.	349,530,000.00	2018/8/1	2023/8/1	No
Shanghai Electric Gotion New Energy Technology Co., Ltd.	269,500,000.00	2018/8/1	2020/8/1	No

③ Fund lending/borrowing to/from related parties

Name of related party	Lending/borrowing	Amount of lending/ borrowing	Starting date	Maturity date	Remark
Zhuhai Gotion Trading Co., Ltd.	Borrowing	40,000,000.00	2019/11/18	2020/4/27	Interest attributable to 2019 is RMB 208,000.00
Zhuhai Gotion Trading Co., Ltd.	Lending	10,000,000.00	2019/3/29	2019/4/2	
Anhui Guolian Real Estate Co., Ltd.	Lending	10,000,000.00	2019/3/29	2019/4/2	

(4) Compensation for key managers

Item	Incurred amount in 2019	Incurred amount in 2018
	(RMB ten thousand)	*(RMB ten thousand)*
Compensation for key managers.	1,320.70	1,054.99

(5) Other related party transaction

① Anhui Xindadao Transportation Co., Ltd. ("Xindadao") is a customer of Zhongtong Bus & holding Company ("Zhongtong Bus"), and Xindadao procures electric buses from Zhongtong Bus. Zhongtong Bus is a customer of Hefei Gotion, which sales battery packs to Zhongtong Bus. On December 31st 2019, the balance of accounts receivable that Hefei Gotion is due from Zhongtong Bus amounts to RMB164.62 million.

On September 23rd 2019, Zhongtong Bus remitted goods payment of RMB30 million to Hefei Gotion, which remitted the amount into Xindadao through a supplier on September 26th, and on the same date, Xindadao remitted goods payment of RMB30 million to Zhongtong Bus. On September 29th 2019, Zhongtong Bus remitted goods payment of RMB35 million to Hefei Gotion, which remitted such amount into Xindadao through a supplier on September 30th, and on the same date, Xindadao remitted goods payment of RMB35 million to Zhongtong Bus. Given that the two transfers were generated by the three parties in order to settle the creditor's rights and debts, on December 31st 2019, Hefei Gotion did not receive the goods payment and the Company recorded the two sums totaling RMB65 million as receivables due from Xindadao. On April 27th 2020, Hefei Gotion received the goods payment of RMB65 million from Xindadao.

② Commercial bill unpaid when due

On December 4th 2019, the bank acceptance bill of RMB11.419 million that Hefei Aolai New Energy Automobile Sales Co., Ltd. (a related party) owed to Hefei Gotion was unpaid on due, and the commercial acceptance bill was reversed by Hefei Gotion as account receivable due from the original endorser. As of the date of this report, Hefei Gotion received the commercial acceptance bill paid by Hefei Aolai Electric Vehicle Co., Ltd. (合肥奥莱电动汽车有限公司).

③ The Company incurred conference accommodation fee during the meeting at Anhui Tangchi Film and Television Cultural Industry Co., Ltd. of RMB56,134.00 in current period; and incurred conference accommodation fee during the meeting at Anhui Tangchi Film and Television Cultural Industry Co., Ltd. of RMB576,111.00 in last period.

6. *Receivables from and payables to related parties*

(1) Receivables from related parties

		December 31st 2019		December 31st 2018	
Item	**Related parties**	**Carrying amount**	**Bad debt provision**	**Carrying amount**	**Bad debt provision**
Accounts receivable . . .	Hefei Xingyuan new energy material Co., Ltd.	180,000.00	90,000.00	180,000.00	54,000.00
	Jiangsu Jiankang Automobile Co., Ltd.	273,983,079.02	36,235,608.45	272,371,876.93	27,215,081.75
	Lixin Electric Bus Co., Ltd.	—	—	1,149,405.60	114,940.56
	Yingshang Dadao New Energy Bus Co., Ltd.	420,000.00	42,000.00	4,574,400.00	457,440.00
	Taihe Dadao New Energy Bus Co., Ltd.	300,000.00	30,000.00	4,897,600.00	405,760.00
	Huangshan Dadao New Energy Bus Co., Ltd.	280,000.00	28,000.00	1,170,000.00	58,500.00
	Tunchang Xinhai New Energy Bus Co., Ltd.	140,122.00	14,012.20	504,000.00	25,200.00
	Wenchang Dadao New Energy Bus Co., Ltd.	—	—	1,461,000.00	73,050.00
	Shanghai Electric Gotion New Energy Technology Co., Ltd.	100,011,404.59	5,000,570.23	59,875.20	2,993.76
	Gotion New Energy (Suzhou) Co., Ltd.	223,191,754.22	18,773,314.21	72,397,858.41	3,619,892.92
	Jingde Dadao New Energy Bus Co., Ltd.	382,500.00	19,125.00	—	—
Other receivables . . .	Zhuhai Gotion Trading Co., Ltd.	40,208,000.00	2,010,400.00	—	—
Prepayments . . .	Hefei Aolai New Energy Automobile Sales Co., Ltd.	171,491.27	—	300,000.00	—
Prepayments . . .	Hefei Palace Decoration Design Engineering Co., Ltd.	2,237,732.35	—	2,237,732.35	—

(2) Payables

Item	**Related party**	**December 31st 2019**	**December 31st 2018**
Accounts payable . .	Hefei Tongguan Gotion copper material Co., Ltd.	21,242,492.80	18,500,022.31
	Anhui Minsheng Property Management Co., Ltd.	1,020,197.00	456,119.00
	Gotion New Energy (Suzhou) Co., Ltd.	33,485,787.66	96,961,512.76
	Hefei Xingyuan New Energy Materials Co., Ltd.	43,594,804.75	—
	Hebei Xinxuan Transportation Co., Ltd.	220,000.00	—
Notes payable	Hefei Tongguan Gotion copper material Co., Ltd.	1,124,325.95	25,600,000.00

Item	Related party	December 31st 2019	December 31st 2018
Accounts payable . .	Hefei Palace Decoration Design Engineering Co., Ltd.	80,000.00	—
Other payables	Anhui Gotion New Energy Investment Co., Ltd.	—	941,536.00
Other payables	Anhui Tangchi Film and Television Cultural Industry Co., Ltd.	—	12,342.00
Other payables	Gotion New Energy (Suzhou) Co., Ltd.	—	8,000,000.00
Other payables	Anhui Minsheng Property Management Co., Ltd.	3,204,804.05	710,000.00

X. Share-based payment

1. Overview of share-based payment

	2019	2018
Total amount of equity instruments granted by the Company in the current period.	—	—
Total amount of equity instruments exercised by the Company in the current period	—	3,744,769.00
Total amount of equity instruments expired in the current period	7,064,086.00	—
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	—	① RMB15.15 per share for those granted in 2015, by four installments, and the remaining contractual periods are 1 month, 13 months, 25 months and 37 months, respectively ② RMB17.24 per share for those granted in 2017, by three installments, and the remaining contractual periods are 1 month, 13 months and 25 months, respectively.
The exercise price (ex-rights) of the outstanding other equity instrument of the Company at the end of the reporting period and the remaining period of the contract	—	—

2. *Equity-settled share-based payment*

	2019	2018
Method of determining the fair value of equity instruments on the grant date	Black-Scholes model	Black-Scholes model
Recognition basis of the number of the equity instruments qualified for vesting	—	—
Reasons for significant difference between the estimate in this period and prior period	Nil	Nil
Accumulated amount of equity-settled share-based payment in capital reserve	—	23,576,504.00
Total expenses recognized for equity-settled share-based payment in the current period	—	-4,682,200.00

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders' meeting of the Company in 2015, the resolution of the 18th, 20th and 21th meetings of the sixth board of directors and the amended Articles of Association of the Company, the Company granted 14,017,888 restricted shares to 165 incentive recipients including Fang Jianhua, Wang Yong and Xu Xingwu, and determined November 16, 2015 as the grant date on which the corresponding number of restricted shares would be granted to incentive recipients. The restricted shares were granted at the price of RMB15.15 per share. The Company will grant incentive shares to the incentive recipients by way of issuing targeted shares to the incentive recipients. After one year from the day of granting the restricted shares under the plan, if the incentive recipients meet the unlocking conditions, the restricted shares can be unlocked in batches according to the proportion of 20%:20%:20%:40% each year during the unlocking period.

As of December 28, 2015, the Company has received the contribution of RMB212,371,003.20 paid by the incentive receipts, RMB14,017,888.00 of which is included in the paid-in capital (share capital) and RMB198,353,115.20 of which is included in the capital reserve (capital premium). The grant date under the incentive plan is November 16, 2015, and the listing date of the restricted shares is January 5, 2016. On January 5, 2016, the Company completed the procedures for the registration of restricted share granted under the incentive plan.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders meeting of the Company in 2015, the resolution of the 29th meeting of the sixth board of directors and the amended Articles of Association of the Company, and being authorized by the resolution of the fifth extraordinary shareholders meeting of the Company in 2015, the Company repurchased and cancelled the 257,888.00 restricted shares that have been granted to Xie Ailiang and Fan Chunxia but not yet unlocked on December 2016. After the cancellation, the number of restricted shares was changed from 14,017,888 to 13,760,000.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders meeting of the Company in 2015, the resolution of the 30th meeting of the sixth board of directors and the amended Articles of Association of the Company, and being authorized by the resolution of the fifth extraordinary shareholders meeting of the Company in 2015, the Company granted 1,507,888 restricted shares to 18 incentive recipients, including Hou Fei, Huang Youlong, Wu Jun and Qin Weixian. After the grant, the number of restricted shares was changed from 13,760,000 to 15,267,888.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders meeting of the Company in 2015, the resolution of the 7th meeting of the seventh board of directors and the amended Articles of Association of the Company, and being authorized by the resolution of the fifth extraordinary shareholders meeting of the Company in 2015, the Company repurchased and cancelled the 1,180,000 restricted shares that have been granted to seven persons, namely, Fang Jianhua, Chen Yu, Xu Xiaoming, Huang Youlong, Wu Jun, Qin Weixian and Chen Le, but not yet unlocked. After the cancellation, the number of restricted shares was changed from 15,267,888 to 14,087,888.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders meeting of the Company in 2015, the conditions for the fourth time of unlocking the restricted shares granted for the first time, and the conditions for the third time of unlocking the restricted shares reserved (i.e., the performance evaluation index that "the net profit after deducting non-recurring profit and loss in 2018 shall not be less than RMB569 million"), the Company thinks that the unlocking conditions for the said restricted shares are not met, and the total amount of equity instruments which are invalid in this period is RMB7,064,086.00.

XI. Commitments and Contingencies

1. Major commitments

(1) In August 2013, Hefei Gotion transferred all 80% of the equity held by it in Shanghai Huayue. After the equity transfer, the business scope of Shanghai Huayue was changed. In order to divest the original battery business of Shanghai Huayue, according to the equity transfer agreement, Hefei Gotion committed to repurchase the 10 battery packs held by Shanghai Huayue at a price of RMB10 million (tax included). As the 10 battery packs have been leased to Shanghai Songjiang Bus Co., Ltd for a term of 8 years, the rights and obligations under the lease agreement will be succeeded by Hefei Gotion after the battery packs are repurchased.

(2) In October 2015, Hefei Urban Construction Investment Holding Co., Ltd invested RMB500 million in Lujiang Gotion for the construction of Lujiang Gotion 10,000-ton phosphate cathode material production base. The investment period is 10 years, and the average annual return on investment within the investment period is 1.272%. At the end of the investment period, Lujiang Gotion shall repurchase the equity according to the agreed repurchase plan. As of December 31, 2019, the balance of the said repurchase obligations of Lujiang Gotion was RMB410.7 million.

(3) In February 2016, Hefei Urban Construction Investment Holding Co., Ltd invested RMB179.10 million in Hefei Gotion for the construction of Hefei Gotion 600 million Ah lithium battery project production base. The investment period is 11 years, and the average annual return on investment within the investment period is 1.272%. At the end of the investment period, Hefei Gotion shall repurchase the equity according to the agreed repurchase plan. As of December 31, 2019, the balance of the said repurchase obligations of Hefei Gotion was RMB179.10 million.

Apart from the above items, as at December 31, 2019, the Company had no other major matters required to be disclosed.

2. Contingencies

Significant contingencies as at the balance sheet date:

(1) Sales contract dispute between the Company and Zhejiang Zhengyu Electromechanical Co., Ltd

The Company had a dispute with Zhejiang Zhengyu Electromechanical Co., Ltd (hereinafter referred to as "Zhengyu Electromechanical") in respects of the sales contract, whereby Zhengyu Electromechanical was required to bear the principal and interest of RMB23,774,697.00 by the Company. On 12 June 2015, the Company received the Notice of Case Acceptance ([2015] Jin Yongshang Chuzi No. 2331) from Yongkang People's Court of Zhejiang Province. In this regard, Yongkang People's Court of Zhejiang Province accepted the bankruptcy application by Zhengyu Electromechanical on 7 August 2015, and the case was in the bankruptcy procedure. As of 31 December 2019, the carrying amount receivable by the Company from Zhengyu Electromechanical was RMB16,786,369.47, and the Company has made fully bad-debt provision for such amounts.

(2) Product quality dispute between Hefei Gotion (a subsidiary of the Company) and Suixi Hengrui Electric Bus Co., Ltd (濉溪县恒瑞电动公交有限公司)

In September 2019, Suixi Hengrui Electric Bus Co., Ltd (濉溪县恒瑞电动公交有限公司) filed a lawsuit against Hefei Gotion and required it to pay RMB10 million for the loss caused by product quality. As of 31 December 2019, the judicial opinion on battery classification had not been issued, and the above case was still under trial. The Company has accrued corresponding estimated liability for products with warranty commitments.

Save as disclosed above, the Company did not have any other significant contingencies which need to be disclosed as of 31 December 2019.

XII. Events After Balance Sheet Date

1. Profit distribution

According to the 2019 profit distribution plan adopted at the third meeting of the eighth Board meeting on 29 April 2020, the Company would not distribute profits in 2019, and such resolution needs to be considered and reviewed at the general meeting.

As of 29 April 2020, the Company did not have any other events after the balance sheet date which need to be disclosed.

XIII. Other Major Events

1. Correction of previous accounting errors

As of December 31, 2019, the Company had no matter of correction of previous accounting errors that need to be disclosed.

2. Energy storage business transactions

(1) The Company's customer, Anhui Xunying New Energy Technology Co., Ltd. (安徽巡鹰新能源科技有限公司), is a company in which Mao Haidong, a former employee of the Company, has a shareholding. For years prior to 2019, accounts receivable formed by the sales of batteries and related products by the Company to Anhui Xunying New Energy Technology Co., Ltd. have not yet been settled. As of December 31, 2019, the balance of the accounts receivable was RMB148.1969 million.

(2) The Company's customer, Hefei Zhengrui Energy Storage Technology Co., Ltd. (合肥正瑞储能科技有限公司), is a company established by Li Xiaojian upon his resignation from Anhui Tangchi Film and Television Culture Industry Co., Ltd. (安徽汤池影视文化产业有限公司), a company controlled by the de facto controller. For years prior to 2019, accounts receivable formed by the sales of batteries and related products by the Company to Hefei Zhengrui Energy Storage Technology Co., Ltd. have not yet been settled. As of December 31, 2019, the balance of the accounts receivable was RMB38.1114 million. In 2019, the Company indirectly sold energy storage power station systems to it through Anhui Jiyuan Software Co., Ltd. (安徽继远软件有限公司) with a total sales amount of RMB108.4071 million, accounting for 2.19% of the operating revenue for the year.

(3) Changzhou Dongzhou New Energy Co., Ltd. (常州东州新能源有限公司) is a company established by Hao Yinqi upon his retirement as a supervisor of the Company. In 2019, the Company indirectly sold energy storage power station systems to it through State Grid Jiangsu Integrated Energy Service Co., Ltd. with a total sales amount of RMB88.5133 million, accounting for 1.78% of the operating revenue for the year.

3. Equity pledge

As of 31 December 2019, 140,552,800 shares of the Company's share capital were pledged externally, of which 136,390,700 shares were pledged externally by Zhuhai Gotion Trading Co., Ltd. as the parent company and Li Zhen as the actual controller. In addition to the above, Zhuhai Gotion issued exchangeable bond trust guarantee to freeze 201,650,000 shares.

4. Other Matters

Anhui Ankai Automobile Co., Ltd. (hereinafter referred to as "Ankai Automobile") is a customer of Hefei Gotion, whereby Hefei Gotion sells battery packs to Ankai Automobile. Anhui Dadao Electric Bus Co., Ltd. (安徽大道电动巴士有限公司) (hereinafter referred to as "Anhui Dadao") is a customer of Ankai Automobile, whereby Anhui Dadao purchases electric bus from Ankai Automobile. As of 31 December 2019, the balances of accounts receivable of Hefei Gotion from Ankai Automobile was RMB227,617,100.

As at 31 December 2019, Ankai Automobile made the payments for goods of RMB71,000,000 to Hefei Gotion. On the same date, Hefei Gotion entrusted Shanghai Xuanyi, a wholly-owned subsidiary, to transfer RMB49.9 million to Anhui Dadao through the supplier, and Anhui Dadao would make a payment of RMB50 million to Ankai Automobile as the payments for goods. Given that the amount of RMB50 million was incurred when Ankai Automobile and Hefei Gotion settled claims and debts with Anhui Dadao, and that Hefei Gotion did not receive the payments for goods of RMB50 million as at 31 December 2019, Hefei Gotion would take it as the accounts receivable from Anhui Dadao. On 24 April 2020, Shanghai Xuanyi has received payments for goods of RMB50 million transferred by Anhui Dadao through the supplier.

Save as disclosed above, the Company has no other important matters to disclose as of 31 December 2019.

XIV. Notes to major items in the financial statements of the parent company

1. Accounts receivable

(1) Disclosure by ageing

Ageing	31 December 2019	31 December 2018
Within 1 year	4,789,328.72	87,508,256.67
1-2 years	12,646,824.46	36,665,798.21
2-3 years	12,647,298.67	4,231,405.65
3-4 years	590,131.77	—
4-5 years	—	—
Over 5 years	—	—
Subtotal	30,673,583.62	128,405,460.53
Less: bad debt provision	5,593,404.38	9,311,414.35
Total	**25,080,179.24**	**119,094,046.18**

(2) Disclosure by the classification of bad debt provision

① 31 December 2019 (provision by simplified model)

31 December 2019

Category	Carrying amount	Amount proportion	Provision for bad debt Amount	Provision for bad debt Proportion of provision	Book value
		(%)		(%)	
Provision for bad debt on a single basis	—	—	—	—	—
Provision for bad debt by portfolio	30,673,583.62	100.00	5,593,404.38	18.24	25,080,179.24
Portfolio 1	—	—	—	—	—
Portfolio 2	30,673,583.62	100.00	5,593,404.38	18.24	25,080,179.24
Total	**30,673,583.62**	**100.00**	**5,593,404.38**	**18.24**	**25,080,179.24**

② 31 December 2018 (provision by incurred loss model)

31 December 2018

Category	Carrying amount	Amount proportion	Provision for bad debt Amount	Provision for bad debt Proportion of provision	Book value
		(%)		(%)	
Accounts receivable with individual significance and accruing bad debt provision on individual basis	—	—	—	—	—
Accounts receivable with bad debt provision on group basis (credit risk characteristics)	128,405,460.53	100.00	9,311,414.35	7.25	119,094,046.18
Accounts receivable with individual insignificance but individually accruing bad debt provision	—	—	—	—	—
Total	**128,405,460.53**	**100.00**	**9,311,414.35**	**7.25**	**119,094,046.18**

Specific instructions on bad debt provision:

① *As at 31 December 2019*, there were no accounts receivable with bad debt provision on individual basis.

② *As at 31 December 2019*, there were no accounts receivable with bad debt provision on Portfolio 1.

③ *As at 31 December 2019*, there were accounts receivable with bad debt provision on Portfolio 2.

	31 December 2019		
Ageing	**Carrying amount**	**Provision for bad debt**	**Proportion of provision**
			(%)
Within 1 year	4,789,328.72	239,466.44	5.00
1-2 years	12,646,824.46	1,264,682.45	10.00
2-3 years	12,647,298.67	3,794,189.60	30.00
3-4 years	590,131.77	295,065.89	50.00
Total	**30,673,583.62**	**5,593,404.38**	**18.24**

④ *As at 31 December 2018*, there were no accounts receivable with individual significance and accruing bad debt provision on individual basis.

⑤ *As at 31 December 2018*, there were accounts receivable with bad debt provision by aging method.

	Closing balance		
Ageing	**Accounts receivable**	**Provision for bad debt**	**Proportion of provision**
Within 1 year	87,508,256.67	4,375,412.83	5.00%
1-2 years	36,665,798.21	3,666,579.82	10.00%
2-3 years	4,231,405.65	1,269,421.70	30.00%
Total	**128,405,460.53**	**9,311,414.35**	**7.25%**

(3) Change in bad debt provision during the current period

		Changes during the current period					
Category	**31 December 2018**	**Changes in accounting policies**	**1 January 2019**	**Provision**	**Recovery or reversal**	**Charge-off or write-off**	**31 December 2019**
Bad debt provision for accounts receivable	9,311,414.35	—	9,311,414.35	—	3,718,009.97	—	5,593,404.38

(4) There are no actual accounts receivable written off during the current period.

(5) The top five account receivables collected by the defaulting party as at 31 December 2019

Entity	Balance	Proportion of accounts receivable balance	Balance of the bad debt provision
		(%)	
The first	9,524,537.34	31.05	712,987.30
The second	4,880,454.40	15.91	1,249,242.16
The third	2,800,517.52	9.13	280,051.75
The fourth	2,459,077.84	8.02	737,723.35
The fifth	2,399,445.85	7.82	239,944.59
Total	**22,064,032.95**	**71.93**	**3,219,949.15**

(6) The account receivables of 2019 decreased by 78.94% as compared with that in 2018, mainly due to the significant decrease in the operating revenue of the Company.

2. Other receivables

(1) Classification list

Item	31 December 2019	31 December 2018
Interest receivable	—	—
Dividend receivable	106,769,081.20	50,000,000.00
Other receivables	817,369,164.08	565,856,287.21
Total	**924,138,245.28**	**615,856,287.21**

(2) Dividend receivable

Investee	31 December 2019	31 December 2018
Hefei Gotion Hi-Tech Power Energy Co., Ltd	106,769,081.20	50,000,000.00

(3) Other receivables

① Disclosure by ageing

Ageing	31 December 2019	31 December 2018
Within 1 year	808,699,381.66	548,857,200.77
1-2 years	1,138,334.25	18,662,836.58
2-3 years	11,135,821.08	451,487.00
3-4 years	—	—
4-5 years	—	—
Over 5 years	—	—
Total	**820,973,536.99**	**567,971,524.35**

② Classification by the nature of money

Nature of money	31 December 2019	31 December 2018
Current accounts	805,703,518.41	546,587,053.24
Security deposit	11,965,875.56	19,929,902.83
Others	3,304,143.02	1,454,568.28
Subtotal	820,973,536.99	567,971,524.35
Less: bad debt provision	3,604,372.91	2,115,237.14
Total	**817,369,164.08**	**565,856,287.21**

③ Disclosure by the classification of bad debt provision

A. Provision for the bad debts as of 31 December 2019 is set out below in a three-stage model:

Stage	Carrying amount	Provision for bad debt	Book value
Stage 1	820,973,536.99	3,604,372.91	817,369,164.08
Stage 2	—	—	—
Stage 3	—	—	—
Total	**820,973,536.99**	**3,604,372.91**	**817,369,164.08**

Provision for bad debt in stage 1 as of 31 December 2019:

Category	Carrying amount	The expected credit loss for the next 12 months	Provision for bad debt	Book value	Reason
		(%)			
Provision for bad debt on a single basis	—	—	—	—	—
Provision for bad debt by portfolio	820,973,536.99	0.44	3,604,372.91	817,369,164.08	
Portfolio 1	805,703,518.41	—	—	805,703,518.41	Related parties within the scope of consolidation
Portfolio 2	15,270,018.58	23.60	3,604,372.91	11,665,645.67	
Total	**820,973,536.99**	**0.44**	**3,604,372.91**	**817,369,164.08**	

A1.1 As at 31 December 2019, there were no other receivables with bad debt provision on individual basis

A1.2 As at 31 December 2019, there were no other receivables with bad debt provision on Portfolio 1

Other receivables (by units)	Closing balance			
	Other receivables	Provision for bad debt	Proportion of provision	Reason for provision
Hefei Gotion Hi-Tech Power Energy Co., Ltd	805,703,518.41	—	—	No bad debt shall be provided within the scope of consolidation

A1.3 As at 31 December 2019, there were other receivables with bad debt provision on Portfolio 2

Ageing	31 December 2019		
	Carrying amount	Provision for bad debt	Proportion of provision
			(%)
Within 1 year	2,995,863.25	149,793.16	5.00
1-2 years	1,138,334.25	113,833.43	10.00
2-3 years	11,135,821.08	3,340,746.32	30.00
Total	**15,270,018.58**	**3,604,372.91**	**23.60**

The basis of the amount of bad debt provision for the current period:

Please see Note 3.10 for the recognition standards and explanation of the provision for bad debt by portfolio.

B. Set out below is the bad debt provision by the incurred loss model as of 31 December 2018:

Carrying amount Category	31 December 2018				
			Provision for bad debt		
	Amount	Proportion	Amount	Proportion of provision	Book value
		(%)		(%)	
Other receivables with individual significance and accruing bad debt provision on individual basis	—	—	—	—	—
Other receivables with bad debt provision on group basis (credit risk characteristics)	567,971,524.35	100.00	2,115,237.14	0.37	565,856,287.21
Portfolio 1: with ageing as the credit risk characteristic portfolio	21,384,471.11	3.77	2,115,237.14	9.89	19,269,233.97
Portfolio 2: with the nature of the money as the credit risk characteristic portfolio	546,587,053.24	96.23	—	—	546,587,053.24
Other receivables with individual insignificance but individually accruing bad debt provision	—	—	—	—	—
Total	567,971,524.35	100.00	2,115,237.14	0.37	565,856,287.21

B1. As at 31 December 2018, there were no other receivables with individual significance and bad debt provision on individual basis.

B2. As at 31 December 2018, there were other receivables with bad debt provision by aging method.

	31 December 2018		
Ageing	Carrying amount	Provision for bad debt	Proportion of provision
Within 1 year	2,270,147.53	113,507.38	5.00%
1-2 years	18,662,836.58	1,866,283.66	10.00%
2-3 years	451,487.00	135,446.10	30.00%
Total	**21,384,471.11**	**2,115,237.14**	**9.89%**

B3. As at 31 December 2018, there were As at 31 December 2018, there were with individual insignificance but individually accruing bad debt provision

④ Changes in provision for bad debt

Category	31 December 2018	Changes in accounting policies	1 January 2019	Provision	Changes during the current period Recovery or reversal	Charge-off or write-off	31 December 2019
Bad debt provision for other receivables	2,115,237.14	—	2,115,237.14	1,489,135.77	—	—	3,604,372.91

⑤ No actual write-off of other receivables during current reporting period

⑥ Top five debtors based on corresponding balance of other receivables as of *31 December 2019*

Entity	Nature	Balance of 31 December 2019	Ageing	Proportion of total balance for other receivables	Balance for bad debt provision
				(%)	
The first	Current account	805,703,518.41	Within 1 year	98.14	—
The second	Tender bond	2,394,941.04	Within 1 year	0.29	119,747.05
The third	Tender bond	1,833,810.00	0-3 years	0.22	461,524.65
The fourth	Tender bond	572,446.98	Within 1 year	0.07	28,622.35
The fifth	Tender bond	500,000.00	1-2 years	0.06	50,000.00
Total		811,004,716.43			

3. Long-term equity investment

	31 December 2019			31 December 2018		
Item	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investments in subsidiaries	9,784,759,596.16	—	9,784,759,596.16	8,315,377,520.69	—	8,315,377,520.69
Investments in associates	197,736,333.30	—	197,736,333.30	120,699,596.42	—	120,699,596.42
Total	**9,982,495,929.46**	**—**	**9,982,495,929.46**	**8,436,077,117.11**	**—**	**8,436,077,117.11**

(1) Investments in subsidiaries

Investee	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Impairment provision during the current period	Closing balance for the impairment provision
Hefei Gotion Hi-Tech Power Energy Co., Ltd	7,506,336,639.58	1,469,382,075.47	—	8,975,718,715.05	—	—
Jiangsu Dongyuan Electrical Group Co., Ltd	809,040,881.11	—	—	809,040,881.11	—	—
Total	**8,315,377,520.69**	**1,469,382,075.47**	**—**	**9,784,759,596.16**	**—**	**—**

(2) Investments in associates and joint ventures

Investor	31 December 2018	Additional investment	Negative investment	Investment gains and losses recognized under the variable equity method for the current period	Adjustment for other comprehensive income	Changes in other equity
Joint venture						
Shanghai Electric Gotion						
New Energy Technology Co., Ltd.	120,699,596.42	98,000,000.00	—	-20,963,263.12	—	—
Total	120,699,596.42	98,000,000.00	—	-20,963,263.12	—	—

(Continued table)

Investor	Declaration of distributing cash, dividend or profit			Changes in the current period	
	31 December 2019	Impairment provision	Others	31 December 2019	Balance for impairment provision
Joint venture					
Shanghai Electric Gotion					
New Energy Technology Co., Ltd	—	—	—	197,736,333.30	—
Total	**—**	**—**	**—**	**197,736,333.30**	**—**

4. Operating revenue and operating cost

(1) Operating revenue and cost

Item	2019		2018	
	Income	Cost	Income	Cost
Primary business	6,282,628.06	6,282,628.06	87,439,235.84	87,423,506.31
Other business	—	—	4,235.85	—
Total	**6,282,628.06**	**6,282,628.06**	**87,443,471.69**	**87,423,506.31**

(2) Primary business (by product)

Category	2019 Income	2019 Cost	2018 Income	2018 Cost
Transmission and distribution products	6,282,628.06	6,282,628.06	87,439,235.84	87,423,506.31

(3) Operating revenue and operating cost in 2019 has decreased 92.81% as compared with that in 2018, mainly because the Company transferred the power transmission and distribution business to Dongyuan Electrical, a subsidiary of the Company.

5. Investment income

	2019	2018
Item	210,000,000.00	180,000,000.00
Investment income from long-term equity investments under the cost method		
Investment income from long-term equity investments	-20,963,263.12	-8,300,403.58
Total	**189,036,736.88**	**161,699,596.42**

XV. Supplementary information

1. Detailed statement of non-recurring profits and losses

Item	2019	2018	Notes
Profit or loss from disposal of non-current assets	2,014,019.12	4,724,882.54	
Tax refunds or relief of tax subject to ultra vires or without official approval	—	—	
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of corporate business and government subsidy based on standard quota or quantitative continuous enjoyment according to the state industrial policy)	509,729,967.99	429,157,636.58	
Capital occupancy fee from non-financial enterprises recognized in profit or loss for the current period	—	—	
Income arising from the fair value of net identifiable assets of the investee that the enterprise should enjoy when the cost of investment it acquired from the subsidiary, affiliated enterprise and joint venture was less than the investment it obtained	—	—	
Gain or loss from exchange of non-monetary assets exchange	—	—	

Item	2019	2018	Notes
Gain or loss on the assets by entrusting others to invest or manage	—	—	
Provisions for asset impairment accrued due to force majeure (e.g. natural disasters)	—	—	
Gain or loss from debt restructuring. . .	—	—	
Enterprise restructuring charges, such as the staffing expenditure and integrating expenses.	—	—	
Gain or loss of the part exceeding the fair value arising from the transaction with the bargain price losing fair	—	—	
Net profit or loss of subsidiaries under common control from period – begin till combination date	—	—	
Gain or loss from contingencies unrelated to normal operations	—	—	
In addition to the effective hedging business related to the normal business of the Company, gain or loss from changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment gains from disposal of transactional financial assets, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debts . .	—	—	
Profit or loss from the change of fair value of financial assets held for trading, financial liabilities held for trading and the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and financial assets for sale except for those gain or loss relating to the hedging transactions under the Company's normal operating business	—	—	
Reversal of depreciation reserves of receivables under independent impairment testing	4,333,630.53	409,680.00	
Gain or loss from externally entrusted loans.	—	—	
Gain or loss arising from changes in the fair value of investment property by using the fair value model for subsequent measurement	—	—	
Influence on current profit or loss for one-time adjustment of the current profit and loss as required by the relevant taxation or accounting laws and regulations	—	—	

Item	2019	2018	Notes
Trustee fee income achieved from the entrusted operation	—	—	
Other non-operating revenue and cost other than the above-mentioned	-7,182,209.30	510,054.84	
Other gain or loss items conforming to definition of the non-recurring gain or loss	—	61,165,805.31	
Total non-recurring profit and loss	508,895,408.34	495,968,059.27	
Less: Affected amount of income tax from non-recurring profit and loss	111,550,772.41	106,866,880.36	
Non-recurring profit and loss, net	397,344,635.93	389,101,178.91	
Net non-recurring profit and loss attributable to minority shareholders	1,260,920.68	45,634.26	
Net non-recurring profit and loss attributable to Net profit attributable to ordinary shareholders of the Company	396,083,715.25	389,055,544.65	

2. *Net return rate of assets and earnings per share*

① *2019*

Profit generated during the reporting period	Weighted average net return rate of assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	(%)		
Net profit attributable to ordinary shareholders of the Company	0.60	0.05	0.05
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gain or loss	-4.03	-0.30	-0.30

② *2018*

Profit generated during the reporting period	Weighted average net return rate of assets	Earnings per share	
		Basic	Diluted
	(%)		
Net profit attributable to ordinary shareholders of the Company	6.86	0.51	0.51
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gain or loss	2.26	0.17	0.17

Company: Gotion High-tech Co., Ltd.
Date:29 April 2020

The information in respect of our Three Month Historical Financial Information set forth below are extracted from the First Quarter Report from which material has been adapted for inclusion in this Prospectus. The First Quarter Report was prepared and published on April 27, 2022 pursuant to the listing rules of the Shenzhen Stock Exchange. Investors should be aware that the Three Month Historical Financial Information set forth below, which has been prepared based on the requirements of PRC GAAP, has not been audited or reviewed by Suya Jincheng CPA LLP or RSM China CPA LLP.

Capitalized terms used herein shall have the same meanings as those defined in "Definitions" and "Glossary of Technical Terms" in this Prospectus.

Major Financial Information

Major Accounting Data and Financial Indicators

	Three months ended March 31,		
	2022	2021	Change
Operating revenue (RMB)	3,916,203,789.66	1,291,880,594.42	203.14%
Net profit attributable to the owner of the parent company (RMB)	32,203,716.32	47,918,287.59	-32.79%
Net profit attributable to the owner of the parent company after deducting non-recurring profits and losses (RMB)	9,788,683.80	3,843,344.49	154.69%
Net cash flows from operating activities (RMB)	44,179,590.60	110,560,379.07	-60.04%
Basic earnings per share (RMB/share)	0.02	0.04	-50.00%
Diluted earnings per share (RMB/share)	0.02	0.04	-50.00%
Weighted average return on equity	0.17%	0.44%	-0.27%

	As of March 31,	As of December 31,	
	2022	2021	Change
Total assets (RMB)	48,778,838,950.80	43,613,409,310.66	11.84%
Equity attributable to owners of the parent company (RMB)	18,741,755,335.78	18,777,723,053.75	-0.19%

Items and Amounts of Non-recurring Profits and Losses

Item	Three months ended March 31, 2022
	(RMB)
Gains and losses on disposal of non-current assets (including the write-offs of the assets impairment provision)	11,289,505.07
Government grants through profit or loss (except for the government grants closely related to the normal operation of the Company, which are in compliance with national policies and are provided continuously according to certain standard quota or ration)	21,725,017.71
In addition to the effective hedging business related to the normal business operations of the Company, the changes in fair value gains and losses arising from holding financial assets for trading and financial liabilities for trading, as well as investment income from disposal of financial assets for trading, financial liabilities for trading and available-for-sale financial assets	-9,194,636.80
Other non-operating income and expenses other than the above items	2,162,736.60
Other profit or loss items falling within the definition of non-recurring profits and losses	491,972.98
Less: Effect of income tax	3,971,189.33
Effect of non-controlling interest (net of tax)	88,373.71
Total	**22,415,032.52**

Changes of Major Accounting Data and Financial Indictors and Reasons for such Changes

Items of the balance sheet	As of March 31, 2022	As of December 31, 2021	Change	Reasons for change
	(RMB)			
Financial assets for trading	14,191,155.78	53,385,792.58	-73.42%	Mainly due to the change of fair value during the period
Notes receivable	111,431,410.72	164,024,116.21	-32.06%	Mainly due to the maturity and repayment of notes during the period
Receivables for financing	716,776,196.06	1,148,162,359.10	-37.57%	Mainly due to the settlement and repayment of notes during the period
Prepayments	688,629,717.87	229,538,072.36	200.01%	Mainly due to the payment in advance to fix the price of raw materials
Other receivables	409,514,545.30	265,294,413.85	54.36%	Mainly due to the increase in the disposal of long-term assets during the period
Other current assets	950,951,127.06	700,468,221.26	35.76%	Mainly due to the increase in input tax to be deductible during the period

Items of the balance sheet	As of March 31, 2022	As of December 31, 2021	Change	Reasons for change
	(RMB)			
Construction in progress	4,139,515,436.57	2,632,201,747.37	57.26%	Mainly due to the increase in the construction scale of production lines during the period
Development expenditure	567,828,748.61	390,906,347.20	45.26%	Mainly due to the increase in R & D expenditures during the period
Other non-current assets	2,542,750,065.08	1,848,663,246.51	37.55%	Mainly due to the increase in the payment in advance of engineering equipment for the construction of production lines of the Company
Notes payable	6,323,507,015.91	4,829,299,206.05	30.94%	Mainly due to the increase in the settlement of notes during the period
Contract liabilities	889,120,650.98	561,210,694.49	58.43%	Mainly due to the increase in advances on sales during the period
Employee benefits payable	99,535,336.79	188,875,199.41	-47.30%	Mainly due to the payment of year-end awards for the previous year during the period
Taxes payable	57,583,866.62	219,497,413.74	-73.77%	Mainly due to the payment of taxes for the previous period during the period
Interest payable	23,638,491.30	14,784,265.56	59.89%	Mainly due to the provisions made on the interest on borrowings, such as green bonds, during the period
Non-current liabilities due within one year	1,725,335,698.45	1,238,829,643.16	39.27%	Mainly due to the repayment of long-term borrowings due within one year during the period
Long-term borrowings	6,952,232,176.75	4,377,862,351.03	58.80%	Mainly due to the increase in long-term financings during the period.
Long-term payables	903,026,320.66	589,800,000.00	53.11%	Mainly due to the increase in finance lease payments during the period.

Items of income statement	Three months ended March 31, 2022	2021	Change	Reasons for change
	(RMB)			
Operating revenue	3,916,203,789.66	1,291,880,594.42	203.14%	Mainly due to the increase in sales as a result of a strong market demand during the period
Operating cost	3,348,678,497.79	969,388,644.63	245.44%	Mainly due to the increase in operating income during the period
Taxes and surcharges	20,666,941.06	9,710,333.95	112.83%	Mainly due to the increase in operating income during the period
Selling expenses	113,137,782.31	47,282,630.21	139.28%	Mainly due to the increase in operating income during the period
Administrative expenses	173,025,945.11	111,989,073.84	54.50%	Mainly due to the increase in remuneration of management personnel of the Company and office expenses
R&D expenses	191,358,178.30	78,964,680.40	142.33%	Mainly due to the increase in the investment in product R&D and technological improvement of the Company during the period
Other income	22,216,990.69	36,767,122.45	-39.57%	Mainly due to the decrease in government grants received during the period
Investment income	26,521,142.51	11,168,596.02	137.46%	Mainly due to the increase in income from investment in associates under the equity method during the period
Gains from the changes in fair value ("-" for losses)	-9,194,636.80	—	—	Mainly due to the changes in fair value of financial assets for trading during the period

Items of income statement	Three months ended March 31, 2022	2021	Change	Reasons for change
	(RMB)			
Credit impairment losses ("-" for losses)	-8,793,236.60	2,813,873.22	-412.50%	Mainly due to the provision on bad debts as a result of the increase in accounts receivable during the period
Impairment losses of assets ("-" for losses)	-7,187,368.93	-33,746.81	-21,397.92%	Mainly due to the provision on impairment of part of long-term assets of the Company during the period
Asset disposal income ("-" for losses)	11,289,505.07	-44,570.04	-25,429.81%	Mainly due to the increase in asset disposal income during the period
Non-operating income	2,660,446.95	6,592,043.23	-59.64%	Mainly due to the decrease in operating penalties and default income during the period
Non-operating expense	497,710.35	815,538.42	-38.97%	Mainly due to the increase in donations for the COVID-19 pandemic during the previous period

Items of cash flow statement	Three months ended March 31, 2022	2021	Change	Reasons for change
	(RMB)			
Net cash flows from operating activities	44,179,590.60	110,560,379.07	-60.04%	Mainly due to the increase in payment in advance to fix the price of raw materials during the period
Net cash flows from investing activities	-3,287,903,530.66	-648,503,444.73	-407.00%	Mainly due to the increase in investment in fixed assets for the construction of new production lines of the Company during the period
Net cash flows from financing activities	3,397,835,833.85	324,091,256.31	948.42%	Mainly due to the increase in borrowings and other financings during the period

Quarterly Financial Statements

Consolidated Balance Sheet

Item	As of March 31, 2022	As of December 31, 2021
	(RMB)	
Current assets:		
Cash and bank balances	11,387,228,254.51	11,385,051,081.47
Held-for-trading financial assets	14,191,155.78	53,385,792.58
Notes receivable	111,431,410.72	164,024,116.21
Accounts receivable	7,683,227,812.92	6,719,375,503.82
Receivables for financing	716,776,196.06	1,148,162,359.10
Prepayments	688,629,717.87	229,538,072.36
Other receivables	409,514,545.30	265,294,413.85
Inventories	5,692,372,881.86	4,488,468,539.81
Non-current assets maturing within one year	126,672,370.16	126,672,370.16
Other current assets	950,951,127.06	700,468,221.26
Total current assets	27,780,995,472.24	25,280,440,470.62
Non-current assets:		
Other debt investment	4,462,990.00	4,462,990.00
Long-term receivables	25,729,513.79	24,674,913.95
Long-term equity investment	1,233,673,435.91	1,033,479,231.47
Other equity investment	937,576,172.57	1,021,466,991.08
Fixed assets	8,900,116,854.41	8,761,582,173.91
Construction in progress	4,139,515,436.57	2,632,201,747.37
Right-of-use assets	8,428,388.22	9,290,822.60
Intangible assets	1,917,209,844.89	1,895,304,240.67
Development expenditure	567,828,748.61	390,906,347.20
Goodwill	147,923,753.27	147,923,753.27
Long-term deferred expenses	20,634,018.89	18,706,261.34
Deferred tax assets	551,994,256.35	544,306,120.67
Other non-current assets	2,542,750,065.08	1,848,663,246.51
Total non-current assets	20,997,843,478.56	18,332,968,840.04
Total assets	48,778,838,950.80	43,613,409,310.66
Current liabilities:		
Short-term borrowings	4,943,374,959.02	5,480,447,055.22
Notes payable	6,323,507,015.91	4,829,299,206.05
Accounts payable	6,160,912,919.21	5,405,708,511.50
Contract liabilities	889,120,650.98	561,210,694.49
Employee benefits payable	99,535,336.79	188,875,199.41
Taxes payable	57,583,866.62	219,497,413.74
Other payables	299,837,740.83	284,341,882.46
Including: interest payable	23,638,491.30	14,784,265.56
Dividends payable	2,033,891.80	2,033,891.80
Non-current liabilities due within one year	1,725,335,698.45	1,238,829,643.16
Other current liabilities	4,464,531.67	74,057,094.63
Total current liabilities	20,503,672,719.48	18,282,266,700.66
Long-term borrowings	6,952,232,176.75	4,377,862,351.03
Bonds payable	498,882,639.93	498,699,420.14
Including: Perpetual bonds	498,882,639.93	498,699,420.14
Lease liabilities	6,525,828.25	6,199,901.96
Long-term payables	903,026,320.66	589,800,000.00
Provisions	264,929,192.02	275,879,048.79
Deferred income	178,320,350.85	162,139,298.34
Deferred tax liabilities	39,648,584.41	46,161,808.33

Item	As of March 31, 2022	As of December 31, 2021
	(RMB)	
Total non-current liabilities	8,843,565,092.87	5,956,741,828.59
Total liabilities	29,347,237,812.35	24,239,008,529.25
Owner's equity:		
Share capital	1,664,707,835.00	1,664,707,835.00
Capital reserves	13,194,367,010.80	13,194,367,010.80
Less: treasury shares	139,123,513.00	139,123,513.00
Other comprehensive income	437,298,625.90	495,912,480.89
Surplus reserves	178,338,303.05	178,338,303.05
Retained earnings	3,406,167,074.03	3,383,520,937.01
Total equity attributable to owners of the parent company	18,741,755,335.78	18,777,723,053.75
Minority interests	689,845,802.67	596,677,727.66
Total owners' equity	19,431,601,138.45	19,374,400,781.41
Total liabilities and owner's equity	48,778,838,950.80	43,613,409,310.66

Consolidated Income Statement

Item	Three months ended March 31, 2022	Three months ended March 31, 2021
	(RMB)	
I. Total operating revenue	3,916,203,789.66	1,291,880,594.42
Including: operating revenue	3,916,203,789.66	1,291,880,594.42
II. Total operating cost	3,912,727,414.04	1,300,676,226.83
Including: operating cost	3,348,678,497.79	969,388,644.63
Taxes and surcharges	20,666,941.06	9,710,333.95
Selling expenses	113,137,782.31	47,282,630.21
Administrative expenses	173,025,945.11	111,989,073.84
R&D expenses	191,358,178.30	78,964,680.40
Financial expenses	65,860,069.48	83,340,863.81
Including: interest expense	107,356,431.45	94,330,646.60
Interest income	-21,668,621.17	-13,886,976.17
Plus: other income	22,216,990.69	36,767,122.45
Investment income ("-" for losses)	26,521,142.51	11,168,596.02
Including: income from investment in associates and joint ventures	-399,816.38	-10,634,003.98
Gains from the changes in fair value ("-" for losses)	-9,194,636.80	
Credit impairment losses ("-" for losses)	-8,793,236.60	2,813,873.22
Impairment losses of assets ("-" for losses)	-7,187,368.93	-33,746.81
Asset disposal income ("-" for losses)	11,289,505.07	-44,570.04
III. Operating profits ("-" for losses)	38,328,771.56	41,875,642.43
Plus: non-operating income	2,660,446.95	6,592,043.23
Less: non-operating expense	497,710.35	815,538.42
IV. Total profits ("-" for total losses)	40,491,508.16	47,652,147.24
Less: income tax expense	4,283,364.60	2,801,681.84
V. Net profit ("-" for net losses)	36,208,143.56	44,850,465.40
(I) Classified by operating sustainability		
1. Net profit from continued operation ("-" for net losses)	36,208,143.56	44,850,465.40
2. Net profit from discontinued operation ("-" for net losses)		

Item	Three months ended March 31, 2022	2021
	(RMB)	
(II) Classified by ownership		
1. Net profit attributable to the owner of the parent company	32,203,716.32	47,918,287.59
2. Minority interest income	4,004,427.24	-3,067,822.19
VI. Other comprehensive income, net of tax	-58,613,854.99	-30,173,417.00
Other comprehensive income, net of tax attributable to owners of the parent company	-58,613,854.99	-30,173,417.00
(I) Other comprehensive income that cannot be reclassified into profit or loss	-85,364,546.48	
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	-85,364,546.48	
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	26,750,691.49	-30,173,417.00
1. Other comprehensive income that can be transferred to profits or losses under the equity method	1,486,432.83	
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	25,264,258.66	-30,173,417.00
7. Others		
Other comprehensive income, net of tax attributable to minority shareholders		
VII. Total comprehensive income	-22,405,711.43	14,677,048.40
Total comprehensive income attributable to owners of the parent company	-29,497,805.19	17,744,870.59
Total comprehensive income attributable to minority shareholders	7,092,093.76	-3,067,822.19
VIII. Earnings per share:		
(I) Basic earnings per share	0.02	0.04
(II) Diluted earnings per share	0.02	0.04

Consolidated Statement of Cash Flows

Item	Three months ended March 31, 2022	2021
	(RMB)	
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	2,393,571,331.99	858,588,164.07
Receipts of tax refunds	18,322,303.74	8,060,252.30
Cash received from other operating activities	368,747,711.69	343,433,471.79
Sub-total of cash inflows from operating activities	2,780,641,347.42	1,210,081,888.16
Cash paid for goods purchased and services received	1,653,179,320.96	474,246,089.98
Cash paid to and on behalf of employees	510,235,899.09	277,509,500.19
Payment of various types of taxes	115,904,822.54	98,285,714.89
Other cash payments relating to operating activities	457,141,714.23	249,480,204.03
Sub-total of cash outflows from operating activities	2,736,461,756.82	1,099,521,509.09
Net cash flows from operating activities	44,179,590.60	110,560,379.07
II. Cash flows from investing activities:		
Cash receipts from disposal and recovery of investments		347,000,000.00
Cash receipts from investment income	16,706,163.34	22,676,846.58
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	210,000.00	158,480.00
Net cash received from disposal of subsidiaries and other business units	1,800,000.00	
Other cash payments relating to investing activities	6,297.70	208,432.29
Sub-total of cash inflows from investing activities	18,722,461.04	370,043,758.87
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	3,017,024,735.11	652,072,203.60
Cash payments to acquire investments	289,601,256.59	366,475,000.00
Sub-total of cash outflows from investing activities	3,306,625,991.70	1,018,547,203.60
Net cash flows from investing activities	-3,287,903,530.66	-648,503,444.73
III. Cash flows from financing activities:		
Cash receipts from capital contributions	141,000,000.00	
Cash received from borrowings	4,175,608,727.04	2,276,000,000.00
Other cash receipts relating to financing activities	719,296,675.80	65,227,076.38
Sub-total of cash inflows from financing activities	5,035,905,402.84	2,341,227,076.38
Cash repayments of borrowings	1,342,969,553.23	1,461,310,849.21
Cash payments for distribution of dividends or profits or settlement of interest expenses	140,983,719.24	80,120,266.95
Other cash payments relating to financing activities	154,116,296.52	475,704,703.91
Sub-total of cash outflows from financing activities	1,638,069,568.99	2,017,135,820.07
Net cash flows from financing activities	3,397,835,833.85	324,091,256.31

Item	Three months ended March 31, 2022	2021
	(RMB)	
IV. Effect of foreign exchange rate changes on Cash and Cash equivalents	7,172,306.60	3,189,717.78
V. Net increase in cash and cash equivalents	161,284,200.39	-210,662,091.57
Plus: Opening balance of Cash and Cash Equivalents	9,439,103,239.24	2,437,055,743.03
VI. Closing Balance of Cash and Cash Equivalents	9,600,387,439.63	2,226,393,651.46