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Our Ref. : C1481:AT202501:RS:LDX:141

17 June 2025

The Board of Directors
CALB Group Co., Ltd.
No. 1 Jiangdong Avenue
Jintan District, Changzhou City
Jiangsu Province, PRC

Dear Sirs,

We refer to the circular dated 18 June 2025 in connection with the proposed acquisition and the proposed subscription of Jiangsu Olive Sensors High-tech Corporation Limited (江蘇奧力威傳感高科股份有限公司) by CALB Group Co., Ltd. (the "**Circular**"), a copy of which is attached and initialled by us on its front cover for the purpose of identification.

We hereby consent to the inclusion of our accountants' report dated 17 June 2025 on the pro forma financial information for the year ended 31 December 2024 in the Circular, and the references to our name in the form and context in which they are included.

Yours faithfully,

RSM Hong Kong

RSM Hong Kong
Certified Public Accountants
Hong Kong

THE POWER OF BEING UNDERSTOOD
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THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **CALB Group Co., Ltd.**, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CALB

CALB Group Co., Ltd.
中創新航科技集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3931)

MAJOR TRANSACTION
ACQUISITION OF THE TARGET COMPANY AND SUBSCRIPTION FOR NEWLY ISSUED SHARES OF THE TARGET COMPANY AND NOTICE OF 2025 FIRST EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 4 to 21 of this circular.

Notice convening the EGM of the Company to be held at 2:00 p.m. on Wednesday, 9 July 2025, at Conference Room VIP1, CALB Group Co., Ltd., No. 1, Jiangdong Avenue, Jintan District, Changzhou, PRC is set out on pages 499 to 500 of this circular.

Shareholders who intend to appoint a proxy to attend the EGM are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the H Share Registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (i.e. 2:00 p.m. on Tuesday, 8 July 2025) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

18 June 2025

CONTENTS

In this circular, unless the context otherwise requires, the following expressions in this circular shall have the following meanings:

"Acquisition"	the proposed acquisition of 87,620,380 A shares of the Target Company by the Company from the Vendor pursuant to the Share Transfer Agreement
"Articles of Association"	the Articles of Association of the Company currently in force
"Board"	the board of directors of the Company
"Business Days"	a day other than a Saturday, Sunday or public holiday in China
"Company", "the Purchaser" or "the Subscriber"	CALB Group Co., Ltd. (中創新航科技集團股份有限公司), H Shares of which are listed on the Stock Exchange with stock code of 3931
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"EGM"	the 2025 first extraordinary general meeting of the Company to be held on Wednesday, 9 July 2025, at 2:00 p.m., at Conference Room VIP1, CALB Group Co., Ltd., No. 1, Jiangdong Avenue, Jintan District, Changzhou, the People's Republic of China or any adjournment thereof
"Enlarged Group"	the Group as enlarged by the Target Group upon completion of the Acquisition
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Independent Third Party(ies)"	any entity(ies) or person(s) who, to the best of the knowledge, information and belief of the Directors, is/are not a connected person(s) of the Company (as defined under the Hong Kong Listing Rules)
"Latest Practicable Date"	16 June 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its printing
"Placement A Shares"	the new A shares to be allotted and issued by the Target Company to the Company pursuant to the Placement Subscription Agreement, being ordinary shares (A shares) with a par value of RMB1.00 per share
"Placement Subscription Agreement"	the conditional share Placement Subscription Agreement(s) entered into between the Company and the Target Company on 6 May 2025
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Transfer Agreement"	the share transfer agreement entered into between the Company and the Vendor on 6 May 2025
"Share(s)"	ordinary share(s) in the issued capital of the Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s)
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"Subscription"	the proposed subscription by the Company of up to 119,482,337 new A shares to be allotted and issued by the Target Company to the Company pursuant to the Placement Subscription Agreement

"Shenzhen Stock Exchange"	Shenzhen Stock Exchange
"Target Company" or "issuer"	Jiangsu Olive Sensors High-tech Corporation Limited* (江蘇奧力威傳感高科股份有限公司), a joint stock company incorporated and duly established under the laws of China, and is listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300507), as of the Latest Practicable Date, the total issued shares of the Target Company was 796,548,907 A shares
"Target Group"	the Target Company and its subsidiaries
"Target Shares"	the A shares of the Target Company to be transferred by the Vendor to the Company pursuant to the Share Transfer Agreement
"Vendor"	Mr. Li Hongqing, the de facto controller of the Target Company
"Voting Rights Waiver Agreement"	the Voting Rights Waiver Agreement entered into between the Company and the Vendor on 6 May 2025
"%"	percent

* *for identification purposes only*

CALB Group Co., Ltd.
中創新航科技集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3931)

Executive Directors:
Ms. Liu Jingyu (*Chairwoman of the Board and General Manager*)
Mr. Dai Ying

Non-executive Directors:
Ms. Hu Jing
Mr. Li Jiancun
Ms. Xie Jieping

Independent Non-executive Directors:
Mr. Wu Guangquan
Mr. Wang Susheng
Mr. Chen Zetong

Registered Office, Headquarters and Principal Place of Business in the PRC:
No. 1
Jiangdong Avenue
Jintan District
Changzhou City
Jiangsu Province
PRC

Principal Place of Business in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

18 June 2025

To Shareholders:

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF THE TARGET COMPANY AND
SUBSCRIPTION FOR NEWLY ISSUED SHARES OF THE TARGET COMPANY
AND
NOTICE OF 2025 FIRST EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 6 May 2025 in relation to the entering into the Share Transfer Agreement and the Voting Rights Waiver Agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell 87,620,380 A shares of the Target Company, representing 11.00% of the total issued share capital of the Target Company as at the Latest Practicable Date.

The price of the Target Shares for the Acquisition is RMB5.83 per Target Share. The aggregate consideration for the Acquisition shall be RMB510,826,815.40. Concurrently, the Vendor has agreed to give up its voting rights attached to a portion of shares held by him in the Target Company, totaling 155,725,311 A shares, during the Waiver Period, representing 19.55% of the total issued share capital of the Target Company as at the Latest Practicable Date. Immediately after the completion of the Acquisition and the voting rights waiver, and the adjustment to the composition of the board of directors of the Target Company as stipulated in the Share Transfer Agreement, the Target Company will become a subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Company's consolidated financial statements. The Acquisition and the voting rights waiver constitute an indivisible whole and are not conditional upon the Subscription.

On 6 May 2025, the Company entered into the Placement Subscription Agreement with the Target Company, pursuant to which the Company has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue to the Company, up to 119,482,337 Placement A Shares at the subscription price of RMB5.63 per Placement A Share. The total amount of the Subscription shall not exceed RMB672,685,557.31. Immediately following completion of the Acquisition and the Subscription, and assuming no further changes in the share capital of the Target Company, it is expected that the Company will hold an aggregate of approximately 22.61% of the issued shares of the Target Company. The Subscription is subject to and conditional upon the implementation of the Acquisition and the voting rights waiver.

I. PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

1. Date

6 May 2025

2. Parties

(i) the Company as the Purchaser; and

(ii) Mr. Li Hongqing as the Vendor.

(collectively as the "Parties", each individually as a "Party")

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor is an Independent Third Party as at the Latest Practicable Date.

3. Target Shares

The issued shares of the Target Company are A shares listed on the Shenzhen Stock Exchange. In the Acquisition, the Vendor will transfer 87,620,380 A shares of the Target Company to the Company, representing 11.00% of the total share capital of the Target Company as at the Latest Practicable Date.

During the period from the date of this Share Transfer Agreement to the date of the completion of the transfer of the Target Shares, in the event of any ex-rights event in the Target Company, such as bonus issue, conversion of capital reserves into share capital, rights issue, the number of Target Shares to be transferred and the price of the Target Shares will be adjusted in accordance with the applicable laws and regulations. The proportion of the Target Shares will remain unchanged.

4. Consideration and Payment

The Company agrees to acquire 87,620,380 A shares of the Target Company, representing 11.00% of the total issued share capital of the Target Company as at the Latest Practicable Date, at an aggregate cash consideration of RMB510,826,815.40. The total consideration is the total amount equal to the per share price for Target Shares multiplied by the number of 87,620,380 Target Shares.

The price of the Target Shares for the Acquisition is RMB5.83 per Target Share, which was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms, with reference to (i) the current and historical trading prices of the shares of the Target Company as quoted on the Shenzhen Stock Exchange; (ii) the secondary market share prices and market capitalization of comparable listed companies; and (iii) the relevant PRC statutory requirements in respect of the transfer price of the Target Shares, i.e. the price of the Target Shares for the Acquisition shall not be lower than 80% of the closing price of the Target Shares on the last trading day preceding the date of the Share Transfer Agreement. For illustrative purposes only, the closing price of the Target Shares as at the last trading day immediately preceding the date of the Share Transfer Agreement (24 April 2025) as quoted on the Shenzhen Stock Exchange is RMB7.28 per share. The price of the Target Shares for the Acquisition is RMB5.83 per Target Share, which is approximately 80% of the closing price of the Target Shares on 24 April 2025. Please refer to the section headed "Reasons for and Benefits of the Acquisition and the Subscription" of this circular for other considerations as mentioned above in determining the price.

The total consideration of RMB510,826,815.40 for the Acquisition shall be funded by internal resources of the Group.

The consideration for the Acquisition shall be settled by the Company in cash in two installments as follows:

(1) Payment of the first installment: 50% of the consideration for the Acquisition, being RMB255,413,407.70, shall be paid by the Company to the Vendor within ten (10) Business Days from the date when the Conditions Precedent as set out in the Share Transfer Agreement are satisfied and the compliance confirmation is obtained from the Shenzhen Stock Exchange.

(2) Payment of the remaining installment: the remaining portion of the consideration for the Acquisition shall be paid by the Company to the Vendor upon the completion of the transfer of the Target Shares to the Company and within ten (10) Business Days from the date of payment of the Performance Guarantee by the Vendor.

5. Effectiveness Conditions

The Share Transfer Agreement shall become effective upon satisfaction with all the following conditions:

(1) The Company has completed the internal decision-making procedures for the Acquisition;

(2) The decision or consent for the Acquisition has been obtained from the State Administration for Market Regulation regarding the anti-monopoly reviews of business concentration, indicating that no further review will be implemented or that the Acquisition will not be prohibited; and

(3) The Acquisition has been approved by the securities regulatory authorities such as the Stock Exchange (if necessary).

As at the Latest Practicable Date, the Company has obtained approval from the Board of the Company in respect of the Acquisition.

6. Conditions Precedent

The Acquisition shall be implemented subject to the fulfillment (or waiver in writing by the Company) of all the following conditions precedent:

(1) All Effectiveness Conditions under the Share Transfer Agreement have been satisfied;

(2) All representations and warranties made by the Vendor in the Share Transfer Agreement regarding the Vendor, the Target Company, and its wholly-owned/controlled subsidiaries (collectively, the "**Target Company and its Subsidiaries**") prior to the Acquisition are legally valid, true, accurate, and not

misleading, and all covenants and agreements to be complied with or performed by the Vendor under the Share Transfer Agreement have been duly complied with or performed in all material respects;

(3) The ownership of Target Shares is clear and free from any encumbrances, including mortgages, pledges, liens, or other third-party rights. Furthermore, there are no legal impediments or disputes, such as restrictions on sale, claims, judicial freezes, escrow arrangements, or any other legal impediments or disputes that would restrict or prohibit the Acquisition, and there are no obstacles to the transfer of the Target Shares;

(4) The business operations of the Target Company and its Subsidiaries are being conducted in the ordinary course, and no material adverse change has occurred in their financial condition, assets, or business that would materially affect its normal operations;

(5) There is no effective injunction or similar order prohibiting or restricting any Party from completing the Acquisition, or all required approvals under such legal restraints have been obtained or waived; and

(6) The Company has completed its financial, legal, and other due diligence on the Target Company and its Subsidiaries, and the results thereof are not materially inconsistent with the information disclosed by the Target Company or the Vendor to the Company, nor do they reveal any matter that would materially adversely affect the Acquisition; provided, however, that if the Vendor has fully cooperated with the due diligence, and due to reasons attributable to the Company, the due diligence is not completed within 12 months following the signing of the Acquisition, and the Parties are unable to agree on an extension, this condition shall no longer be applicable.

The Parties shall make their best efforts to ensure that all conditions precedent to the Acquisition are satisfied within 12 months following the signing of the Share Transfer Agreement. If the conditions precedent fail to be met within the aforementioned period due to force majeure, changes in laws and regulations, internal decisions of the Parties, or review by relevant regulatory authorities of the Acquisition, which are not attributable to the Vendor or the Company, the Parties shall negotiate an extension. If the Parties are unable to agree on an extension, or if the conditions for the Acquisition remain unsatisfied after such extension due to the aforementioned reasons, the Acquisition shall be terminated with Parties being restored to their pre-transaction positions, and neither Party shall bear any liability to the other. However, if due to subjective reasons attributable to either Party, the aforementioned conditions precedent are not satisfied within 12 months following the signing of the Share Transfer Agreement, the non-breaching Party shall have the right to terminate the Share Transfer Agreement and the breaching Party shall be obligated to pay liquidated damages to the non-breaching Party.

7. Attribution of Profits

The Parties agree that the Vendor shall be entitled to the cash dividends attributable to the Target Shares under the 2024 profit distribution plan of the Target Company. If the Target Company implements the 2024 dividend distribution after the completion of the transfer of the Target Shares, the Company shall pay the dividends for the year 2024 to the account designated by the Vendor within ten (10) Business Days after receipt of such dividends. Except for the profits distributed by the Target Company for the year 2024, the accumulated profits of the Target Company shall be attributable to all shareholders after the completion of the transfer of the Target Shares.

8. Performance Guarantee Undertaking

The Vendor shall deposit RMB80 million as performance guarantee into the account designated by the Company (the "**Performance Guarantee**") within five (5) Business Days upon the Vendor having received the first instalment of the consideration for the Acquisition. The Performance Guarantee is to guarantee the due performance by the Vendor of his obligations relating to contingent events, representations and warranties, voting rights waiver, and default events (collectively referred to as "**Compensation Events**") under the Share Transfer Agreement and the Voting Rights Waiver Agreement with a performance guarantee period of sixty (60) months from the effective date of the Share Transfer Agreement.

The Performance Guarantee shall be returned to the Vendor within ten (10) Business Days following the expiration of the guarantee period if no Compensation Events occur during the guarantee period. In the event that any Compensation Events arise during the guarantee period, the Performance Guarantee shall be directly applied to offset such matters. Any remaining amount not subject to compensation or indemnification shall be returned within ten (10) Business Days following the expiration of the guarantee period.

9. Completion

The Acquisition shall be deemed to be completed on the date when the transfer registration of the Target Shares is completed.

10. Termination or Rescission

The Share Transfer Agreement shall be terminated or rescinded under any of the following circumstances:

(1) The Share Transfer Agreement becomes impossible to perform due to force majeure and is terminated upon written confirmation by the Parties;

(2) The Parties mutually agree to terminate the Share Transfer Agreement;

(3) A Party to the Share Transfer Agreement is entitled to rescind the Share Transfer Agreement as stipulated therein;

(4) If the Acquisition fails to obtain any required regulatory approval, either Party shall have the right to terminate the Share Transfer Agreement, unless otherwise agreed by the Parties; or

(5) Other termination or rescission events as stipulated in the Share Transfer Agreement.

The termination or rescission of the Share Transfer Agreement shall not affect the Party's right to claim against the breaching Party for liability for breach of contract.

11. Others

The Vendor undertakes to procure that the Target Company completes the re-election of its board of directors and supervisory committee within thirty (30) Business Days after the transfer registration of the Target Shares. The re-elected board of directors of the Target Company will consist of five directors, including three non-independent directors and two independent directors, and all director candidates shall be nominated by the Company. The Vendor shall support the candidate(s) nominated by the Company and provide assistance to promote their successful election. The re-elected supervisory committee of the Target Company will consist of three supervisors, including one employee representative supervisor. The Company has the right to nominate two non-employee representative supervisor candidates. The chairman of the supervisory committee shall be a supervisor nominated by the Company. Both Parties shall procure that the supervisor nominated by the Company is elected as the chairman of the supervisory committee at the meeting of the supervisory committee.

The Vendor undertakes that if the Target Company's consolidated net profits attributable to the owners of the Target Company (as recorded in the annual audit report) fall below RMB178 million for 2025 and RMB195 million for 2026, respectively, the Vendor shall compensate the Purchaser. The specific compensation amount is calculated according to the following formula: Compensation Amount for the Year = Acquisition Consideration × (Committed Net Profits Attributable to the Parent Company for the Year – Actual Net Profits Attributable to the Parent Company for the Year)/Committed Net Profits Attributable to the Parent Company for the Year. The compensation paid shall not be refunded, and no additional reward will be granted if actual profits exceed the amounts committed. The aforementioned compensation is capped at RMB80 million. The aforesaid compensation shall be completed within 30 days following the issuance of the annual audit reports of the Target Company for the years 2025 and 2026, respectively.

PRINCIPAL TERMS OF THE VOTING RIGHTS WAIVER AGREEMENT

Pursuant to the Voting Rights Waiver Agreement entered into between the Company and the Vendor, the Vendor has agreed to give up its voting rights attached to a potion of shares (the "**Waived Shares"**) held by him in the Target Company, totaling 155,725,311 A shares, within a period of 60 months (the "**Waiver Period**") from the date (inclusive) on which the transfer of the Target Shares is registered in the name of the Company and all the payment for the transfer of the Target Shares has been made as stipulated in the Share Transfer Agreement. The Waived Shares shall not be counted as valid voting rights at the general meetings of the Target Company.

During the Waiver Period, the Vendor may increase its shareholding in the Target Company with the Company's prior written consent. In the event of any increase or decrease in the Vendor's shareholding quantity or percentage, including but not limited to those due to the Target Company's equity incentives, bonus issue, conversion of capital reserves into share capital, share sub-division, rights issue, secondary market transactions, agreement transfer, block trade or any other reasons, the number of Waived Shares shall be adjusted accordingly. The undertaking made by The Vendor to give up voting rights shall automatically apply to the adjusted shares to ensure that, after the Vendor gives up its voting rights, its shareholding with voting rights remains lower than that of the Company, and the difference between the Parties' shareholdings with voting rights remains above 5%. The Vendor further undertakes that during the Waiver Period, it shall cooperate with the Company to strengthen the Company's control over the Target Company, and shall not seek to obtain actual control of the Target Company through proxy voting, solicitation of voting rights, contractual arrangements, or any other means, whether acting alone or in concert with other shareholders.

II. PRINCIPAL TERMS OF THE PLACEMENT SUBSCRIPTION AGREEMENT

1. Date

6 May 2025

2. Parties

(i) the Company as the subscriber; and

(ii) the Target Company as the issuer.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the issuer and its ultimate beneficial owners are Independent Third Parties as at the Latest Practicable Date.

3. Subscription of New Shares

Subject to the terms and conditions of the Placement Subscription Agreement, the Company has agreed to subscribe for, and the Target Company has agreed to allot and issue to the Company up to 119,482,337 Placement A Shares at the subscription price. The final number of Placement A Shares shall be subject to the review by the Shenzhen Stock Exchange and the registration approval for issuance by the CSRC.

The total number of Placement A Shares shall be subject to adjustment in the event of changes in regulatory policies or requirements in the registration approval for issuance. If there are ex-rights and ex-dividend events such as payment of dividends, bonus issue, rights issue and conversion of capital reserves into share capital etc. in relation to the Target Company during the period between the pricing benchmark date and the issuance date, resulting in an adjustment to the subscription price, the number of the subscription shares subscribed by the Company in this issuance will be adjusted accordingly.

4. Subscription Price

Pursuant to the applicable PRC laws and regulations, the price for the Subscription shall not be lower than 80% of the average trading price of the Target Company's shares for the 20 trading days prior to the pricing benchmark date (excluding the pricing benchmark date, the average share trading price for the 20 trading days prior to the pricing benchmark date = total amount of share transaction for the 20 trading days prior to the pricing benchmark date/total volume of share transactions for the 20 trading days prior to the pricing benchmark date). The pricing benchmark date for this issuance is 6 May 2025. Accordingly, the price per subscription Share was determined at RMB5.63, representing 80% of the average trading price of the Target Company's shares for the 20 consecutive trading days prior to the pricing benchmark date. The total amount of the Subscription shall not exceed RMB672,685,557.31. If there are ex-rights and ex-dividend events such as payment of dividends, bonus issue, and conversion of capital reserves into share capital etc. in relation to the Target Company during the period between the pricing benchmark date and the issuance date, the price for the Subscription shall be adjusted accordingly in accordance with the applicable laws and regulation and the Placement Subscription Agreement.

5. Payment Method

The total subscription price of up to RMB672,685,557.31 will be paid in cash by the Company. The subscription price will be funded by the internal resources of the Group.

6. Lock-up Period

The Placement A Shares subscribed by the Company shall not be transferred within 18 months from the date of issuance completion. Any additional A shares of the Target Company acquired by the Company as a result of certain circumstances such as payment of dividends or conversion of capital reserves into share capital shall also be subject to the aforementioned lock-up period. The lock-up period shall be adjusted in accordance with the requirements of the CSRC and the Shenzhen Stock Exchange.

7. Effectiveness Conditions

The Placement Subscription Agreement shall become effective upon satisfaction with all the following conditions:

(1) the Subscription has been approved by the board of directors and shareholders' meeting of the Target Company;

(2) the Company has completed the internal decision-making procedures in respect of the Subscription;

(3) the Subscription is reviewed and approved by the Shenzhen Stock Exchange;

(4) the approval from the CSRC regarding the registration for the Subscription is obtained; and

(5) the Subscription has been approved by the securities regulatory authorities such as the Stock Exchange (if necessary).

8. Completion

After the Company completes the payment of the subscription price in accordance with the terms of the Placement Subscription Agreement, the Target Company shall promptly complete all required industrial and commercial registration changes and the listing registration procedures for the newly issued shares in relation to the Subscription.

The accumulated undistributed profits of the Target Company prior to the date of the issuance of Placement A Shares shall be shared by all shareholders (both existing and new) of the Target Company in proportion to their respective shareholding percentages after the issuance.

9. Termination

The Placement Subscription Agreement shall terminate as at the date of occurrence of any of the following events:

(1) the conditions precedent to the effectiveness of the Placement Subscription Agreement as stipulated therein are not satisfied, rendering the Placement Subscription Agreement unable to take effect or be performed;

(2) a force majeure event occurs during the performance of the Placement Subscription Agreement, and either Party decides to terminate the Placement Subscription Agreement in accordance with the force majeure provisions therein;

(3) the Company and the Target Company mutually agree in writing to terminate the Placement Subscription Agreement; or

(4) any other circumstances under which the Placement Subscription Agreement shall be terminated in accordance with applicable laws and regulations.

III. FINANCIAL IMPACTS OF THE ACQUISITION AND THE SUBSCRIPTION ON THE GROUP

Upon the completion of the Acquisition, the Company will hold approximately 11.00% of the equity interest in the Target Company. After the adjustment to the composition of the board of directors of the Target Company, the board of directors of the Target Company will consist of five directors, all of whom shall be nominated by the Company. Therefore, immediately after the completion of the Acquisition, the voting rights waiver, and the adjustment to the composition of the board of directors of the Target Company as stipulated in the Share Transfer Agreement, the Company will have all directorships on the board of directors of the Target Company and will be able to exercise substantial influence on the passing of resolutions of the board of directors of the Target Company. The Target Company is deemed as a subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

Following the completion of the Subscription, the Company's shareholding in the Target Company will further increase. Assuming no further changes to the Target Company's issued share capital, upon completion of the Acquisition and the Subscription, the Company will hold approximately 22.61% equity interest in the Target Company.

Assets and liabilities

Based on the unaudited pro forma financial information of the Group following the Acquisition and the Subscription as set out in Appendix IV to this circular, had the completion of the Acquisition and the Subscription taken place on 31 December 2024, the total assets of the Enlarged Group would increase from approximately RMB122,473 million to approximately RMB126,787 million on a pro forma basis, and the total liabilities of the Enlarged Group would increase from approximately RMB74,419 million to approximately RMB76,213 million on a pro forma basis. The attention of the Shareholders is drawn to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular.

Earnings

According to the reconciliation information on the Target Group as set out in Appendix II to this circular, the Target Group recorded total comprehensive income of approximately RMB136.7 million for the year ended 31 December 2024. The Acquisition and the Subscription would lead to an increase in the Group's earnings as if the Acquisition and the Subscription was completed on 1 January 2024. The Acquisition and the Subscription are expected to contribute towards broadening the earnings for the Enlarged Group in the future.

IV. INFORMATION OF THE PARTIES

Information about the Company

CALB Group Co., Ltd., a joint stock limited company incorporated in Changzhou City, Jiangsu Province under the laws of the PRC, was listed on the Stock Exchange on 6 October 2022 (stock code: 3931). The Group is a high-technology new energy enterprise specializing in development, manufacturing, sales and market application development of lithium batteries, battery management system and related integrated products, and lithium battery materials. As a specialist in the battery technology, the Group is committed to building a comprehensive energy operation system to provide complete product solutions and full life-cycle management for the all-scenario application market of new energy represented by EV batteries and ESS products.

Information about the Vendor

Mr. Li Hongqing, who holds approximately 36.55% of the issued shares of the Target Company as at the Latest Practicable Date, is the de facto controller of the Target Company. To the best of the knowledge, information and belief of the Directors of the Company, having made all reasonable enquiries, Mr. Li Hongqing is a third party independent of the Company and its connected persons.

Information on the Target Company

The Target Company is a joint stock limited company incorporated in the PRC, and was listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300507). The Target Company operates in the automotive parts and accessories manufacturing industry, specifically in the automotive core electronics sector. The Target Company has long been deeply committed to the automotive parts industry, consistently focusing on providing high-quality component products and services to automobile manufacturers. Its core products include sensors and accessories, fuel system components, automotive interior trim parts, and continuously evolving new energy vehicle components. In addition, Bonaire Automotive Electrical Systems Co., Ltd.* (博耐爾汽車電氣系統有限公司) (“**Bonaire**”), a subsidiary of the Target Company, primarily engages in the production of automotive thermal management system components, which are widely used in automotive air conditioning, engines and motors, batteries, and electronic control modules. The Target Company and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The following financial information has been extracted from the annual reports of the Target Company for the three financial years ended 31 December 2024 (prepared in accordance with the China Accounting Standards for Business Enterprises):

	For the year ended 31 December		
	2022	**2023**	**2024**
	(Audited)	*(Audited)*	*(Audited)*
	RMB'000	*RMB'000*	*RMB'000*
Net profit before tax	366,626.60	181,200.08	202,549.09
Net profit after tax	308,978.87	164,438.03	183,829.52

According to the annual reports of the Target Company for the three financial years ended 31 December 2024, as at 31 December 2022, 31 December 2023 and 31 December 2024, the total assets of the Target Company are approximately RMB2,469.92 million (audited), RMB2,872.09 million (audited) and RMB4,103.53 million (audited), respectively, and the net assets of the Target Company are approximately RMB2,004.74 million (audited), RMB2,085.29 million (audited) and RMB2,394.70 million (audited), respectively.

V. REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION

In 2024, the State Council and CSRC introduced relevant policies emphasizing the acceleration of M&A reform and supporting listed companies in upgrading and transforming toward "new quality productive forces" (新質生產力). These policies provide clear guidance and favorable conditions for the Acquisition and the Subscription. The Acquisition and the Subscription align with national policy directions aimed at promoting high-quality development in the new energy sector. As a leading enterprise in the field of power battery systems for new energy vehicles and energy storage solutions, the Group remains committed to driving technological innovation and maintaining its leadership in the renewable energy industry. The Acquisition represents a key strategic initiative in response to China's "carbon peak and carbon neutrality" goals, aiming to advance industrial development, build a sustainable industrial ecosystem, and continuously deliver high-performance, reliable products to meet evolving market demands.

Upon completion of the Acquisition and Subscription, the Group and the Target Company (as a subsidiary of Company) will deepen cooperation, leveraging their respective strengths to fully realize synergies in areas such as technological innovation, product collaboration, application scenarios, and market expansion. This will enable the provision of high-performance, cost-effective solutions and more comprehensive products and services to customers, further enhancing the value creation capability of the industry chain and promoting overall industry progress. The Group actively responds to the national strategy of promoting high-quality development in the new energy industry and aims to expand its influence in the new energy and automotive industry chains through this investment. After the Acquisition, the Group and the Target Company will engage in in-depth cooperation, fully integrating their resources and technological advantages to drive product innovation. The Target Company will proactively align with the Group's overarching strategic plans and engage in the development of next-generation intelligent energy management systems. This collaboration aims to jointly address market demand for high-performance, high-safety, and intelligent products. The Target Company has established a solid industrial foundation in automotive sensors, thermal management system components, new energy structural components and connectors, and is actively pursuing a strategic transformation toward the new energy sector. The Acquisition will accelerate the Target Company's strategic transformation, and the Company, as its partner and shareholder, will also gain corresponding commercial returns from this collaboration.

The aforementioned synergistic development is mainly reflected in the following aspects:

(1) Technological Innovation and Product Collaboration

By integrating the Group's technological expertise in power batteries and energy storage with the Target Company's core products in sensors and thermal management systems, this partnership aims to foster synergistic business development and will play a pivotal role in facilitating the Target Company's strategic transition toward the new energy sector, driving product innovation and broadening application scenarios. Furthermore, both parties may also explore collaborative development on new energy structural components and connectors to offer more high-performance and cost-effective solutions to the market.

(2) Application Scenarios and Market Expansion

The Group has established partnerships with leading domestic and international automakers and industry leaders in the fields of passenger vehicles, commercial vehicles, and energy storage sectors, and continues to expand its presence into emerging markets, including rail transit, shipping, mining, and the low-altitude economy. The Target Company can leverage this opportunity to expand its application scenarios, enter new customer and business domains, and achieve synergistic development with the Group to provide more comprehensive products and services to customers.

(3) Industry Chain Synergy and Empowerment

As a leading company in the new energy industry chain, the Group demonstrates robust capabilities in driving the development and integration of the industry chain. The Group's strengths in battery technology research and development, manufacturing, and market deployment enable it to provide strategic support and guidance to both upstream and downstream enterprises. Through collaborative innovation, efficiency enhancement, and cost reduction, the Group continues to foster new partnerships across the ecosystem. The future collaboration between the Group and the Target Company is expected to generate significant mutual benefits, which will be further amplified through the Group's robust industrial chain influence, thereby reinforcing the innovative capacity and sustainable development of both the new energy and automotive industry chains.

The Group is supported by a highly experienced operations and management team, with deep-rooted expertise in manufacturing engineering and industry-leading capabilities in large-scale operations. These strengths have enabled the Group to achieve sustained and rapid growth over the past several years. The Board possess the necessary industry knowledge and extensive experience in managing complex industrial enterprises and large publicly listed companies. They are well-positioned to effectively oversee and assess the Target Company's business plans and operations, and to provide strategic oversight and operational guidance following the completion of the Acquisition.

Based on the Group's confidence in the intrinsic value of the principal business of the Target Company and its future development prospects, the Group intends to obtain control of the Target Company through the Acquisition. The Acquisition and the Subscription are conducive to the implementation of the Group's development strategy. The Group will fully leverage its resources and advantages in new energy and automobile industry chain to empower the business development of the Target Company, further enhancing the value of the Group and the Target Company.

The Directors of the Company (including all independent non-executive Directors) consider that the transaction terms involved in the Acquisition and the Subscription are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VI. HONG KONG LISTING RULES IMPLICATIONS

Each of the Acquisition and the Subscription constitutes a notifiable transaction under Chapter 14 of the Hong Kong Listing Rules. Pursuant to Rules 14.22 and 14.23 of the Hong Kong Listing Rules, the highest applicable percentage ratios for the Acquisition and the Subscription on an aggregated basis exceed 25% but are lower than 100%. Therefore, pursuant to Chapter 14 of the Hong Kong Listing Rules, the Acquisition and the Subscription constitute a major transaction of the Company and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders or any of their close associates has a material interest in the Acquisition and the Subscription. Accordingly, no Shareholders are required to abstain from voting on the relevant resolutions to be proposed at the general meeting to approve each of the transactions contemplated under the Acquisition and the Subscription.

VII. WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(A)(I) OF THE HONG KONG LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, this circular must contain, among others, an accountants' report on the Target Group in accordance with Chapter 4 of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, the waiver from strict compliance with accountant's report requirements under Rule 14.67(6)(a)(i) of the Hong Kong Listing Rules, on the grounds that:

a) The Target Company has been listed on the Shenzhen Stock Exchange (stock code: 300507) since 2016 and has been publishing financial information, including audited accounts, on a regular basis under the relevant regulatory requirements to enable investors to assess its business and financial position. Its financial disclosures are subject to the supervision by the Shenzhen Stock Exchange and CSRC;

b) The consolidated financial statements for the years ended 31 December 2022 and 2023 were prepared in accordance with China Accounting Standards for Business Enterprises ("**CASBE**") and audited by Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) ("**Da Hua**") in accordance with the Auditing Standards for Certified Public Accountants of China (中國註冊會計師審計準則) ("**CSA**"). The consolidated financial statements for the year ended 31 December 2024 were prepared in accordance with CASBE and audited by Beijing Dehao International Accounting Firm (Special General Partnership) (北京德皓國際會計師事務所(特殊普通合夥)) ("**Crowe DeHao**") in accordance with the CSA. According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Stock Exchange in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with CASBE, and PRC accounting firms approved by the Ministry of Finance of China ("**MOF**") and CSRC are allowed to audit these financial statements prepared in accordance with CASBE. Da Hua is a member of the Moore Global network in the PRC with international recognition and reputation and is one of the PRC accounting firms approved by the MOF and CSRC, as well as a registered Public Interest Entity auditor. Crowe DeHao is a member of the Crowe Global network in the PRC with international recognition and reputation, and is one of the PRC accounting firms approved by the MOF and CSRC; and

c) Da Hua had issued an unmodified opinion on the audited financial statements of the Target Company for the years ended 31 December 2022 and 2023, and Crowe DeHao had issued an unmodified opinion on the audited financial statements of the Target Company for the year ended 31 December 2024. Engaging an independent professional accountant to prepare an accountants' report on the Target Company under the Company's accounting policies, which comply with IFRS, would be unduly burdensome as it is inherently complex to perform multi-years audit and this complexity is significantly magnified if the Target Company's existing auditor does not grant access of their audit working papers to the Company's auditor, which is not uncommon. The estimated cost and expenses are expensive. Additionally, the preparation and auditing process of the financial information of the Target Company would take approximately three months. This would be time-consuming and adversely affect the dispatch time of the Company's circular.

The Company has included in this circular the following information as an alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules, to enable Shareholders to assess the financial performance of the Target Group:

a) the audited consolidated financial statements of the Target Group for each of the years ended 31 December 2022, 2023, and 2024, and the unaudited consolidated financial statement of the Target Group for the three months ended 31 March 2025 prepared in accordance with the CASBE, which are set out in Appendix II to this circular;

b) an explanation of the differences between the accounting policies of the Target Group under CASBE and the Company's accounting policies under International Financial Reporting Standards, along with a line-by-line reconciliation (the "**Reconciliation**") of the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position for each of the years ended 31 December 2022, 2023, and 2024, and the three months ended 31 March 2025, which are set out in Appendix II to this circular. The Company's auditor has reported on the Reconciliation under Hong Kong Standard on Assurance Engagements 3000 (Revised); and

c) additional information required for an accountants' report under Chapter 4 of the Listing Rules but not disclosed in the financial statements of the Target Company, which are set out in Appendix II to this circular.

VIII. CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the entitlement of the H Share Shareholders to attend and vote at the EGM, the H Share register of members of the Company will be closed from Friday, 4 July 2025 to Wednesday, 9 July 2025 (both days inclusive), during which period no transfer of H Shares will be registered. To be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 3 July 2025.

IX. NOTICE OF EXTRAORDINARY GENERAL MEETING

Set out on pages 499 to 500 of this circular is the notice of the EGM at which, inter alia, ordinary resolutions will be proposed to Shareholders to consider and approve (1) the resolution regarding the Acquisition of Jiangsu Olive Sensors High-tech Corporation Limited* (江蘇奧力威傳感高科股份有限公司); and (2) the resolution regarding the Subscription for Newly Issued Shares of Jiangsu Olive Sensors High-tech Corporation Limited.

X. FORM OF PROXY

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Tuesday, 8 July 2025) or any adjournment thereof. Completion and return of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM if they so wish and in such event the form of proxy shall be deemed to be revoked.

XI. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and article 82 of the Articles of Association, any resolution put to the vote of the Shareholders at a general meeting shall be decided on a poll except where the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions put to vote at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

On a poll, every Shareholder presents in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote need not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

RECOMMENDATION

The Board considers that the above resolutions are in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of the Board
By order of the Board
CALB Group Co., Ltd.
Liu Jingyu
Chairwoman of the Board, executive Director and General Manager

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the years ended 31 December 2022, 2023 and 2024 together with the relevant notes can be found in the respective annual reports of the Company, which have been published on both the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the website of the Company (www.calb-tech.com).

i. annual report of the Company for the year ended 31 December 2022 at

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702464.pdf.

ii. annual report of the Company for the year ended 31 December 2023 at

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043002844.pdf.

iii. annual report of the Company for the year ended 31 December 2024 at

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042905128.pdf.

2. STATEMENT OF INDEBTEDNESS

At the close of business on April 30, 2025, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	RMB'000
Current	
Bank borrowings	19,859,418
Amounts due to related parties	36,082
Lease liabilities	43,814
Financial guarantee	34,642
Provision for litigations	8,155
	19,982,111
Non-current	
Bank borrowings	29,670,996
Lease liabilities	79,860
	29,750,856
	49,732,967

Bank Borrowings

As at April 30, 2025, the bank borrowings of RMB31,788,367,000 were secured by certain property, plant and equipment and right-of-use assets.

Financial Guarantee

As at April 30, 2025, the Company has provided guarantees in respect of finance lease agreements entered into by the subsidiaries of the investee companies measured at fair value through profit or loss. The maximum potential liability of the Group as at April 30, 2025 in respect of the amount of such finance lease agreements was RMB291 million.

Provision For Litigations

During November 2022, the Company received a civil judgement from the Fuzhou Intermediate Court regarding the claim related to Patent III (as defined in the Prospectus of the Company dated September 23, 2022) and the salient contents of which are: (1) the Company shall immediately cease selling products infringing the relevant patent from the date on which the judgement takes effect, (2) the Company shall compensate Contemporary Amperex Technology Co., Limited ("**CATL**") for its economic loss of RMB2.63 million and reasonable costs of RMB0.20 million within 15 days from the date on which the judgement takes effect, (3) the Company to pay RMB0.13 million fees for the temporary protection period for the relevant patent within 15 days from the date on which the judgement takes effect, and (4) other claims filed by CATL were rejected. Details are set out in the Company's announcement dated 30 November 2022.

During May 2024, the Company received a civil judgement from the Higher People's Court of Fujian Province regarding the claim related to Patent II (as defined in the Prospectus of the Company dated September 23, 2022) and the salient contents of which are: (1) the Company and China Lithium Battery Technology (Luoyang) Co., Ltd. ("**Luoyang Company**") shall immediately cease using, selling or offering to sell products infringing the relevant patent from the date on which the judgement takes effect; (2) the Company and Luoyang Company shall jointly and severally compensate CATL for its economic loss of RMB40.56 million and reasonable costs of RMB1.02 million incurred for stopping the infringement within 15 days from the date on which the judgement takes effect; and (3) other claims filed by CATL were rejected. The Company have appealed the first-instance judgement to the Supreme People's Court within the appeal period. Details are set out in the Company's announcement dated 20 May 2024.

During October 2024, the Company received a civil judgement from the Higher People's Court of Fujian Province regarding the claim related to Patent VI (as defined in the Prospectus of the Company dated September 23, 2022) and the salient contents of which are: (1) the Company and Luoyang Company shall immediately cease selling or offering to sell products manufactured as of 18 July 2022 and infringing the relevant patent from the date on which the judgement takes effect; (2) the Company and Luoyang Company shall jointly and severally compensate CATL for its economic loss of RMB58.05 million and reasonable costs of RMB0.50 million incurred for stopping the infringement within 15 days from the date on which the judgement takes effect; and (3) other claims filed by CATL were rejected. The Company have appealed the first-instance judgement to the Supreme People's Court within the appeal period. Details are set out in the Company's announcement dated 18 October 2024.

As at April 30, 2025, the provision of RMB8,155,000 was related to litigations of Patent II, Patent III and Patent VI.

Contingent Liabilities

(a) The Group endorsed certain bank acceptance bills for the settlement of trade and other payables, discounted certain bank acceptance bills to banks for obtaining working capital and entered into factoring arrangement to transfer trade receivables to a bank without recourse. These outstanding endorsed bank acceptance bills, discounted bank acceptance bills and factored trade receivables are generally with maturities no more than 6 months. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to these instruments, the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of default in payment of these instruments is low because they were issued or guaranteed by reputable PRC banks or enterprises. As a result, the relevant assets and liabilities were derecognised on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed, discounted and factored instruments at April 30, 2025 are as follows:

	RMB'000
Endorsed or discounted bills	12,180,673
Factored trade receivables	300,000
	12,480,673

(b) In July 2024, the Company received a civil indictment (Case No.: (2024) Min 01 Min Chu No. 543) served by the Fuzhou Intermediate Court. The claim was petitioned by CATL brought against the Company and Fuzhou Cangshan Aion Automobile Sales Service Co., Ltd. (福州倉山埃安汽車銷售服務有限公司) ("Fuzhou Cangshan Aion") (an automobile seller independent of the Company) in respect of an infringement claim on intellectual property rights of No. ZL201720968992.6 utility model patent ("Patent VII") and the salient contents of which are: (1) the Company shall immediately cease manufacturing, selling and offering to sell products infringing the relevant patent; (2) Fuzhou Cangshan Aion shall immediately cease selling products infringing the relevant patent; and (3) the Company shall compensate CATL for its economic loss of RMB92.00 million and reasonable costs of RMB0.30 million incurred for stopping the infringement. Details are set out in the Company's announcement dated 26 July 2024.

In January 2025, the Company received a civil indictment (Latest Case No.: (2025) Zhe Zhi Min Chu No. 1 (Original Case No.: (2024) Zhe 01 Zhi Min Chu No. 138)) served by the Hangzhou Intermediate Court. The claim was petitioned by CATL brought against the Company and Hangzhou Pengxing Automobile Sales Service Co., Ltd. (杭州鵬行汽車銷售服務有限公司) ("Hangzhou Pengxing") (an automobile seller independent of the Company) in respect of an infringement claim on intellectual property rights of No. ZL202210514746.9 invention patent ("Patent VIII") and the salient contents of which are: (1) the Company shall immediately cease manufacturing, selling and offering to sell products infringing the relevant patent; and (2) the Company shall compensate CATL for economic losses and the reasonable royalty for using the patent during the period from its application publication date to the grant date of RMB90.00 million in total and reasonable costs of RMB1.00 million incurred for stopping the infringement. Details are set out in the Company's announcement dated 3 January 2025.

In January 2025, the Company received a civil indictment (Case No.: (2025) Min 05 Min Chu No. 2) served by the Quanzhou Intermediate Court. The claim was petitioned by CATL brought against the Company and the other defendants (third parties independent of the Company and its connected persons) in respect of an infringement claim on intellectual property rights of No. ZL201621122034.9 utility model patent ("Patent IX") and the salient contents of which are: (1) the Company shall immediately cease manufacturing, selling and offering to sell products infringing the relevant patent; and (2) the Company shall compensate CATL for its economic loss of RMB60.00 million and reasonable costs of RMB1.00 million incurred for stopping the infringement. Details are set out in the Company's announcement dated 17 January 2025.

In January 2025, the Company received a civil indictment (Case No.: (2024) Xiang Zhi Min Chu No. 1) served by the Hunan High Court. The claim was petitioned by CATL brought against the Company and the other defendants (third parties independent of the Company and its connected persons) in respect of an infringement claim on intellectual property rights of No. ZL202011086325.8 invention patent ("Patent X") and the salient contents of which are: (1) the Company shall immediately cease manufacturing, selling and offering to sell products infringing the relevant patent; and (2) the Company shall compensate CATL for its economic loss of RMB110.00 million and reasonable costs of RMB1.00 million incurred for stopping the infringement. Details are set out in the Company's announcement dated 28 January 2025.

After assessing the analysis and views of the Company's internal and external legal counsel, the Directors are of the view that the claims relating to Patent VII, Patent VIII, Patent IX and Patent X are lacking in merit, and it is not probable that an outflow of economic benefits will be required to settle the claims related to them.

Save as disclosed above and apart from intra-group liabilities and normal trade and bills and other payables in the ordinary course of the business, the Enlarged Group did not have other material debt securities issued and outstanding or authorised or otherwise created but unissued, mortgage, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities at the close of business on April 30, 2025.

Saved as the Company's issuance of Green Technology Innovation Bond of RMB500,000,000 in May 2025, the Directors confirm that there has not been any material change in the liabilities and contingent liabilities of the Enlarged Group from April 30, 2025 up to the date of the circular.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources (including the internal resources and the present available facilities) of the Enlarged Group and the effect of the Acquisition and the Subscription, the Directors are of the opinion that the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of publication of the circular.

As at the Latest Practicable Date, the Company has obtained the confirmation as required under Rule 14.66(12) of the Listing Rules from the auditors of the Company.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2024, being the date to which the latest published audited consolidated accounts of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is a global leading new energy technology company, dedicated to driving innovation and maintaining a leading position within the new energy sector. Leveraging its strengths in advanced technology and large-scale intelligent manufacturing, the Group consistently drives the development of the sector. By establishing a comprehensive energy operation system, the Group will continue to provide integrated product solutions and full life-cycle management services across a wide range of new energy applications, including electric vehicle and energy storage. The Group will continue to build a healthy ecosystem for the new energy sector and actively contributes to energy security and sustainable development. Following the completion of the Acquisition and Subscription, the Group plans to maintain its above development strategies and does not intend to scale down its core businesses over the next twelve months.

Both the Group's EV battery business and the Target Company's principal business serve the automotive industry. In addition, the Group has established a broad presence in the energy storage sector. Leveraging its resources and advantages in the new energy and automotive industry chains, the Group is well positioned to empower the Target Company, accelerate its understanding of the new energy business, and support the Target Company in exploring a wider range of application scenarios. Considering the Group's industry-leading position and its comprehensive strengths in product and technological capabilities, the Group is confident in its ability to further drive the growth of the Target Company's new energy business. Moreover, the Target Company's core products, such as sensors and thermal management systems, have extensive application scenarios in both the EV battery and energy storage sectors and play a vital role in enhancing battery intelligence and safety. The Group and the Target Company are expected to achieve mutual empowerment and synergistic development in these relevant fields.

The Group has an outstanding operations and management team with strong expertise in manufacturing engineering and industry-leading capabilities in large-scale operations. It has maintained rapid growth over the past few years. The Group believes that, upon completion of the Acquisition and the Subscription, the intrinsic value of the Enlarged Group will be further enhanced.

1. ACCOUNTS OF THE TARGET COMPANY

Set out below are (i) the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2022 prepared in accordance with the China Accounting Standards for Business Enterprises ("**CASBE**") and audited by Da Hua Certified Public Accountants (Special General Partnership); (ii) the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2023 prepared in accordance with the CASBE and audited by Da Hua Certified Public Accountants (Special General Partnership); (iii) the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2024 prepared in accordance with the CASBE and audited by Beijing Dehao International Certified Public Accountants (Limited Liability Partnership); and (iv) the unaudited consolidated financial statement of the Target Group for the three month ended 31 March 2025 prepared in accordance with the CASBE (collectively, the "**Target Group Historical Track Record Accounts**"), which have been published by the Target Company on the website of the Shenzhen Stock Exchange. The Target Group Historical Track Record Accounts are prepared in Chinese without official English version. Accordingly, an English version is prepared for reference only. In case of any inconsistency, the Chinese version shall prevail.

(i) The audited consolidated financial statements of the Target Group for the financial year ended 31 December 2022 prepared in accordance with the CASBE and audited by Da Hua Certified Public Accountants (Special General Partnership)

Auditor's Report

DHSZ [2023] No. 001782

To all shareholders of Jiangsu Olive Sensors High-tech Corporation Limited:

I. Opinion

We have audited the financial statements of Jiangsu Olive Sensors High-tech Corporation Limited (hereinafter referred to as "Olive"), including the consolidated and parent company's balance sheets as of December 31, 2022, the consolidated and parent company's income statements, consolidated and parent company's statements of cash flows, consolidated and parent company's statements of changes in shareholders' equity and related notes to the financial statements for the year then ended.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises and present fairly the consolidated and the parent company's financial position of Olive as of December 31, 2022 and the consolidated and the parent company's operating results and cash flows for the year then ended.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of this auditor's report. In accordance with the Code of Ethics for Certified Public Accountant of China, we are independent of Olive and have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key matters are matters we deem the most significant to the audit of financial statements based on our professional judgment. 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.

We have identified the following matters as key audit matters to be communicated in the auditor's report.

1. Revenue recognition

2. Recoverability of accounts receivable

(I) Revenue recognition

1. Descriptions of key audit matters

As described in Note III (XXVII) and Note V-Note 36 to the financial statements, Olive's operating revenue in 2022 was RMB961,316,200, mainly from the sales revenue of automobile sensors, fuel system accessories, interior trim parts and other products. Since the operating revenue is significant and an important financial indicator of Olive, there may be a risk of material misstatement in the recognition and presentation of revenue. In view of the great impact of revenue recognition on the financial statements, we take revenue recognition as a key audit matter.

2. How our audit addressed the matter

Important audit procedures we have implemented for revenue recognition include:

(1) Understand and evaluate the design of the management's internal control related to revenue recognition, and conduct control tests;

(2) Perform analytical review procedures, including analyzing the annual and monthly revenue of major products, changes in major customers and sales prices, and changes in gross margin;

(3) Obtain the sales contract, check the sales content, main contract terms and settlement method, compare the contract quantity and amount with the book-recorded warehouse-out quantity and revenue amount, and compare with the revenue recognition policy actually implemented by Olive;

(4) Check the documents in the transaction process, including receipt, delivery order, acceptance form, invoice notice, sales invoices, receipt and payment vouchers, etc., to determine whether the transaction is real; for goods to be exported, check whether the product name, quantity and amount in the export declaration form and the freight bill are consistent with those in the bookkeeping;

(5) Confirm the transactions and correspondences with major customers;

(6) Perform a cut-off test on the revenue transactions recorded before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate accounting period.

Based on the audit procedures performed, we believe that the relevant judgments of the management's revenue recognition of Olive are reasonable.

(II) Recoverability of accounts receivable

1. Descriptions of key audit matters

As described in Note III (XI) and Note V Note 4 to the financial statements, as of December 31, 2022, the book value of the accounts receivable of Olive was RMB288,070,500, accounting for 11.67% of the total assets, and the provision for bad debts of accounts receivable was RMB16,143,500.

The management shall conduct a single credit risk assessment for the accounts receivable with objective evidence of credit impairment, and confirm the expected credit loss individually. For accounts receivable other than accounts receivable with individual credit risk assessment, the management has implemented a portfolio impairment assessment based on the consideration of the aging analysis of such customer groups, the historical records of impairment losses and the forecast of future economic conditions.

Since the determination of the recoverability of accounts receivable requires the management to identify the impaired items and objective evidence, evaluate the expected future cash flows and determine their present value, which involves the management's use of significant accounting estimates and judgments, and the recoverability of accounts receivable is important to the financial statements, therefore, we identify the recoverability of accounts receivable as a key audit matter.

2. How our audit addressed the matter

Important audit procedures we have performed with respect to the recoverability of accounts receivable include:

(1) We have understood, evaluated and tested the design and operating effectiveness of the internal control related to the daily management of accounts receivable and the evaluation of recoverability. These internal controls include the evaluation of customer credit risk, the collection process of accounts receivable, the identification of events that trigger the impairment of accounts receivable and the estimate of the amount of provision for bad debts;

(2) We have reviewed the management's judgment and estimate in assessing the recoverability of accounts receivable, including the basis for determining the accounts receivable portfolio, the judgment of significant amount, the judgment of separate provision for bad debts, etc., and paid attention to whether the management fully identifies the impaired items;

(3) For accounts receivable with provision for bad debts made on the basis of aging portfolio, we have tested the accuracy of the aging and recalculate the provision for bad debts in accordance with the bad debt policy;

(4) With reference to the historical credit loss experience and in combination with the current situation and the judgment of the future economic situation, we have evaluated whether the expected credit loss rate adopted by the management is appropriate;

(5) We have performed the confirmation procedures for important accounts receivable;

(6) We have sampled and checked the post-period payment collection;

(7) We have evaluated the accounting treatment and disclosure of the provision for bad debts of accounts receivable by the management as of December 31, 2022.

Based on the audit procedures performed, we believe that the relevant judgments and estimates of the management of Olive on the recoverability of the accounts receivable are reasonable.

IV. Other Information

The management of Olive is responsible for other information. Other information includes information covered in the 2022 annual report, but excludes financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

The management of Olive is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to achieve a fair presentation, and designing, implementing and maintaining internal control necessary to ensure that the financial statements are free from material misstatements due to fraud or error.

In preparing the financial statements, the management of Olive is responsible for assessing the going-concern ability of Olive, disclosing matters related to going concern (if applicable) and applying the going concern basis unless the management plans to liquidate Olive or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Olive.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. 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. Understand the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

3. Evaluate the appropriateness of accounting policies used 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 assumption. 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 Olive's going-concern ability. If we conclude that a material uncertainty exists, we are required to, in our auditor's 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 audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause Olive to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence on the financial information of the entity or business activities of Olive to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, 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 all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

BDO China Shu Lun Pan CPAs

Da Hua Certified Public Accountants (Special General Partnership)	Certified Public Accountant of China: _________ (Project partner) Zhou Yiping
Beijing, China	Certified Public Accountant of China: _________ Xiong Shaobao

April 20, 2023

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Balance Sheet
December 31, 2022

(Amounts are expressed in RMB unless otherwise stated)

Assets	*Note V*	**Ending balance**	**Beginning balance**
Current assets			
Monetary funds	*Note 1*	172,401,616.05	298,692,700.83
Financial assets held for trading	*Note 2*	946,420,161.11	617,003,659.67
Notes receivable	*Note 3*	108,677,013.54	105,298,625.51
Accounts receivable	*Note 4*	288,070,458.81	283,788,007.58
Receivables financing			
Advances to suppliers	*Note 5*	49,572,668.81	41,686,368.99
Other receivables	*Note 6*	11,294,856.84	12,035,043.23
Inventories	*Note 7*	168,271,258.35	141,573,721.95
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	*Note 8*	290,631,930.35	238,338,002.38
Total current assets		2,035,339,963.86	1,738,416,130.14
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	*Note 9*	58,791,769.83	56,415,694.29
Investments in other equity instruments			
Other non-current financial assets	*Note 10*	49,320,000.00	15,000,000.00
Investment properties			
Fixed assets	*Note 11*	210,295,669.14	210,400,206.44
Construction in progress	*Note 12*	39,982,073.33	17,315,510.70
Productive biological assets			
Oil and gas assets			
Right-of-use assets	*Note 13*	12,084,618.99	6,981,071.58
Intangible assets	*Note 14*	34,206,473.95	36,937,728.79
Development expenses			
Goodwill	*Note 15*	60,265.73	21,137,286.58
Long-term deferred expenses	*Note 16*	293,803.01	757,823.97
Deferred tax assets	*Note 17*	12,622,675.87	10,517,001.04
Other non-current assets	*Note 18*	14,812,259.17	18,125,263.96
Total non-current assets		432,469,609.02	393,587,587.35
Total assets		2,467,809,572.88	2,132,003,717.49

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Balance Sheet
December 31, 2022

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	*Note V*	Ending balance	Beginning balance
Current liabilities			
Short-term borrowings	*Note 19*	159,000,000.00	150,000,000.00
Financial liabilities held for trading			
Notes payable	*Note 20*	10,850,128.80	16,523,731.15
Accounts payable	*Note 21*	149,182,955.73	146,348,012.36
Advances from customers			
Contract liabilities	*Note 22*	1,196,265.44	1,966,007.11
Employee compensation payable	*Note 23*	9,835,156.78	8,098,945.79
Taxes and surcharges payable	*Note 24*	59,778,447.96	16,251,089.89
Other payables	*Note 25*	4,999,946.65	1,468,981.38
Liabilities held for sale			
Non-current liabilities maturing within one year	*Note 26*	4,179,222.07	1,837,679.44
Other current liabilities	*Note 27*	79,567.02	107,602.13
Total current liabilities		399,101,690.45	342,602,049.25
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities	*Note 28*	8,497,263.89	4,933,617.77
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities			
Deferred income	*Note 29*	39,217,137.68	24,446,040.70
Deferred tax liabilities	*Note 17*	16,345,361.07	10,244,202.85
Other non-current liabilities			
Total non-current liabilities		64,059,762.64	39,623,861.32
Total liabilities		463,161,453.09	382,225,910.57

Liabilities and shareholders' equity	*Note V*	Ending balance	Beginning balance
Shareholders' equity:			
Share capital	*Note 30*	791,528,907.00	494,705,567.00
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserves	*Note 31*	144,598,158.97	439,941,250.36
Less: treasury shares	*Note 32*		300,630.00
Other comprehensive income	*Note 33*	-1,733,966.77	-2,168,269.91
Special reserves			
Surplus reserve	*Note 34*	98,597,764.28	70,715,791.52
Undistributed profits	*Note 35*	857,167,495.22	637,562,598.56
Total shareholders' equity of the parent company		1,890,158,358.70	1,640,456,307.53
Minority interests		114,489,761.09	109,321,499.39
Total shareholders' equity		2,004,648,119.79	1,749,777,806.92
Total liabilities and shareholders' equity		2,467,809,572.88	2,132,003,717.49

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Income Statement
Year 2022

(Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Prior period
I. Operating revenue	*Note 36*	961,316,222.70	857,308,376.23
Less: operating costs	*Note 36*	732,259,142.54	639,916,920.34
Taxes and surcharges	*Note 37*	5,672,337.70	4,795,074.51
Selling expenses	*Note 38*	5,128,547.92	4,409,456.26
G&A expenses	*Note 39*	62,855,804.52	49,140,913.38
R&D expenses	*Note 40*	41,602,989.22	34,026,540.40
Financial expenses	*Note 41*	1,224,877.77	5,698,255.26
Including: interest expenses		7,022,746.55	3,101,571.69
Interest income		3,298,896.17	3,374,711.19
Plus: other income	*Note 42*	6,406,421.49	12,191,077.42
Investment income (loss expressed with "-")	*Note 43*	262,187,461.90	21,951,433.39
Including: income from investment in associates and joint ventures		3,700,633.67	5,667,485.84
Derecognition of financial assets measured at amortized costs		-615,088.84	-431,350.39
Net exposure hedging gains (loss expressed with "-")			
Gains from changes in fair value (loss expressed with "-")	*Note 44*	-4,583,498.56	3,659.67
Losses from credit impairment (loss expressed with "-")	*Note 45*	-963,753.65	-1,874,880.32
Asset impairment losses (loss expressed with "-")	*Note 46*	-8,631,680.57	-3,413,392.39
Gains from disposal of assets (loss expressed with "-")	*Note 47*	60,861.74	467,361.91
II. Operating profits (loss expressed with "-")		367,048,335.38	148,646,475.76
Plus: non-operating revenue	*Note 48*	1,075,309.14	1,449,754.64
Less: non-operating expenses	*Note 49*	1,497,040.59	904,442.57
III. Total profits (total loss expressed with "-")		366,626,603.93	149,191,787.83
Less: income tax expenses	*Note 50*	57,778,445.05	15,879,457.53

Item	Note V	Current period	Prior period
IV. Net profit (net loss expressed with "-")		308,848,158.88	133,312,330.30
(I) Classified by operating sustainability			
Net profit from continued operations (net loss expressed with "-")		308,848,158.88	133,312,330.30
Net profit from discontinued operations (net loss expressed with "-")			
(II) Classified by ownership			
Net profit attributable to owners of the parent company (net loss expressed with "-")		277,169,203.44	98,405,167.58
Minority interest income/expense (net loss expressed with "-")		31,678,955.44	34,907,162.72
V. Other comprehensive income, net of tax	*Note 33*	434,303.14	-2,190,685.62
Other comprehensive income, net of tax, attributable to owners of the parent company		434,303.14	-2,190,685.62
(I) Other comprehensive income that cannot be reclassified into profit or loss later		-	-
(II) Other comprehensive income that will be reclassified into profit or loss		434,303.14	-2,190,685.62
1. Difference arising from the translation of foreign-currency financial statements		434,303.14	-2,190,685.62
Other comprehensive income, net of tax, attributable to minority shareholders			
VI. Total comprehensive income		309,282,462.02	131,121,644.68
Total comprehensive income attributable to the owner of the parent company		277,603,506.58	96,214,481.96
Total comprehensive income attributable to minority shareholders		31,678,955.44	34,907,162.72
VII. Earnings per share:			
Basic earnings per share		0.35	0.14
Diluted earnings per share		0.35	0.14

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Statement of Cash Flows
Year 2022

(Amounts are expressed in RMB unless otherwise stated)

Item	*Note V*	Current period	Prior period
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		984,700,698.57	889,977,479.01
Refunds of taxes and surcharges		4,334,926.47	968,168.82
Cash received from other operating activities	*Note 51*	52,956,362.09	36,656,458.44
Subtotal of cash inflows from operating activities		1,041,991,987.13	927,602,106.27
Cash paid for purchase of goods or acceptance of services		717,414,842.97	660,824,631.87
Cash paid to and on behalf of employees		108,671,267.25	83,826,105.09
Cash paid for taxes and surcharges		46,505,816.94	40,721,955.38
Cash paid for other operating activities	*Note 51*	41,821,622.35	27,027,222.57
Subtotal of cash outflows from operating activities		914,413,549.51	812,399,914.91
Net cash flows from operating activities		127,578,437.62	115,202,191.36
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,181,868,774.87	894,000,000.00
Cash received from investment income		5,897,515.41	13,766,406.26
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			2,382,308.28
Net cash from disposal of subsidiaries and other business units	*Note 52*	252,058,450.79	
Cash received from other investing activities	*Note 51*	469,215,738.86	164,126,561.11
Subtotal of cash inflows from investing activities		1,909,040,479.93	1,074,275,275.65
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		59,418,844.50	58,097,111.10
Cash paid for investments		1,529,387,830.00	1,092,000,000.00

Item	*Note V*	Current period	Prior period
Net cash paid to acquire subsidiaries and other business units	*Note 52*	5,128,502.24	23,009,188.36
Cash paid for other investing activities	*Note 51*	502,843,958.33	396,915,430.15
Subtotal of cash outflows from investing activities		2,096,779,135.07	1,570,021,729.61
Net cash flows from investing activities		-187,738,655.14	-495,746,453.96
III. Cash flows from financing activities:			
Cash received from investors			474,827,604.83
Including: cash received by subsidiaries from investments of minority shareholders			6,527,654.21
Cash received from borrowings		307,000,000.00	150,000,000.00
Cash received from other financing activities			
Subtotal of cash inflows from financing activities		307,000,000.00	624,827,604.83
Cash paid for debt repayments		298,000,000.00	36,400,636.09
Cash paid for distribution of dividends and profits or payment of interests		53,661,908.26	50,396,807.03
Including: dividends and profit paid to minority shareholders by subsidiaries		17,397,524.22	16,947,826.76
Cash paid for other financing activities	*Note 51*	3,176,737.02	3,430,405.97
Sub-total of cash outflows from financing activities		354,838,645.28	90,227,849.09
Net cash flows from financing activities		-47,838,645.28	534,599,755.74
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		431,334.68	-67,188.53
V. Net increase in cash and cash equivalents		-107,567,528.12	153,988,304.61
Plus: beginning balance of cash and cash equivalents		276,171,592.69	122,183,288.08
VI. Ending balance of cash and cash equivalents		168,604,064.57	276,171,592.69

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity
Year 2022

(Amounts are expressed in RMB unless otherwise stated)

	Current period									
	Equity attributable to shareholders of the parent company									
Item	**Share capital**	**Other equity instruments**	**Capital reserves**	**Less: treasury shares**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Undistributed profits**	**Minority interests**	**Total shareholders' equity**
I. Ending balance of last year	494,705,567.00		439,941,250.36	300,630.00	-2,168,269.91		70,715,791.52	637,562,598.56	109,321,499.39	1,749,777,806.92
Plus: changes in accounting policies										
Correction of accounting errors in prior periods										
Business combination under common control										
Others										
II. Beginning balance of this year	494,705,567.00		439,941,250.36	300,630.00	-2,168,269.91		70,715,791.52	637,562,598.56	109,321,499.39	1,749,777,806.92
III. Increases and decreases in this year	296,823,340.00		-295,343,091.39	-300,630.00	434,303.14		27,881,972.76	219,604,896.66	5,168,261.70	254,870,312.87
(I) Total comprehensive income					434,303.14			277,169,203.44	31,678,955.44	309,282,462.02
(II) Capital contributed or reduced by shareholders			1,480,248.61	-300,630.00						1,780,878.61
1. Ordinary shares invested by shareholders				-300,630.00						300,630.00
2. Capital contributed by holders of other equity instruments										
3. Amount of share-based payments included in shareholders' equity			1,480,248.61							1,480,248.61
4. Others										

	Current period									
	Equity attributable to shareholders of the parent company									
Item	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
(III) Profit distribution							27,881,972.76	-57,564,306.78	-17,397,524.22	-47,079,858.24
1. Withdrawal of surplus reserves							27,881,972.76	-27,881,972.76		
2. Profits distributed to shareholders								-29,682,334.02	-17,397,524.22	-47,079,858.24
3. Others										
(IV) Internal carry-forward of shareholders' equity	296,823,340.00		-296,823,340.00							
1. Conversion of capital reserves into share capital	296,823,340.00		-296,823,340.00							
2. Conversion of surplus reserves into share capital										
3. Surplus reserve to cover losses										
4. Others										
(V) Special reserves										
1. Withdrawal in the current period										
2. Use in the current period										
(VI) Others									-9,113,169.52	-9,113,169.52
IV. Ending balance of this year	791,528,907.00		144,598,158.97		-1,733,966.77		98,597,764.28	857,167,495.22	114,489,761.09	2,004,648,119.79

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity
Year 2022

(Amounts are expressed in RMB unless otherwise stated)

	Prior period									
	Equity attributable to shareholders of the parent company									
Item	**Share capital**	**Other equity instruments**	**Capital reserves**	**Less: treasury shares**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Undistributed profits**	**Minority interests**	**Total shareholders' equity**
I. Ending balance of last year	306,269,712.00		160,510,166.53	7,792,608.00	22,415.71		63,355,122.60	577,143,454.91	81,332,079.43	1,180,840,343.18
Plus: changes in accounting policies										
Correction of accounting errors in prior periods										
Business combination under common control										
Others										
II. Beginning balance of this year	306,269,712.00		160,510,166.53	7,792,608.00	22,415.71		63,355,122.60	577,143,454.91	81,332,079.43	1,180,840,343.18
III. Increases and decreases in this year	188,435,855.00		279,431,083.83	-7,491,978.00	-2,190,685.62		7,360,668.92	60,419,143.65	27,989,419.96	568,937,463.74
(I) Total comprehensive income					-2,190,685.62			98,405,167.58	34,907,162.72	131,121,644.68
(II) Capital contributed or reduced by shareholders	65,927,971.00		401,938,967.83	-7,491,978.00						475,358,916.83
1. Ordinary shares invested by shareholders	65,927,971.00		400,728,651.39	-7,491,978.00						474,148,600.39
2. Capital contributed by holders of other equity instruments										
3. Amount of share-based payments included in shareholders' equity			1,210,316.44							1,210,316.44
4. Others										

	Prior period									
	Equity attributable to shareholders of the parent company									
Item	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
(III) Profit distribution							7,360,668.92	-37,986,023.93	-16,947,826.76	-47,573,181.77
1. Withdrawal of surplus reserves							7,360,668.92	-7,360,668.92		
2. Profits distributed to shareholders								-30,625,355.01	-16,947,826.76	-47,573,181.77
3. Others										
(IV) Internal carry-forward of shareholders' equity	122,507,884.00		-122,507,884.00							
1. Conversion of capital reserves into share capital	122,507,884.00		-122,507,884.00							
2. Conversion of surplus reserves into share capital										
3. Surplus reserve to cover losses										
4. Others										
(V) Special reserves										
1. Withdrawal in the current period										
2. Use in the current period										
(VI) Others									10,030,084.00	10,030,084.00
IV. Ending balance of this year	494,705,567.00		439,941,250.36	300,630.00	-2,168,269.91		70,715,791.52	637,562,598.56	109,321,499.39	1,749,777,806.92

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Balance Sheet
December 31, 2022

(Amounts are expressed in RMB unless otherwise stated)

Assets	*Note XV*	**Ending balance**	**Beginning balance**
Current assets			
Monetary funds		99,842,299.65	243,052,205.27
Financial assets held for trading		946,420,161.11	587,003,659.67
Notes receivable		85,311,798.28	82,409,564.41
Accounts receivable	*Note 1.*	218,321,093.96	203,785,400.83
Receivables financing			
Advances to suppliers		33,738,988.81	22,005,015.94
Other receivables	*Note 2.*	23,027,918.52	16,867,194.29
Inventories		109,856,936.68	100,466,772.85
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		259,571,812.27	236,985,654.76
Total current assets		1,776,091,009.28	1,492,575,468.02
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables		48,035,515.85	46,040,026.90
Long-term equity investments	*Note 3.*	98,561,802.77	119,600,001.37
Investments in other equity instruments			
Other non-current financial assets		49,320,000.00	15,000,000.00
Investment properties			
Fixed assets		118,475,103.40	106,841,322.49
Construction in progress		38,038,758.01	17,315,510.70
Productive biological assets			
Oil and gas assets			
Right-of-use assets		9,904,391.18	6,562,251.85
Intangible assets		21,504,710.53	24,269,890.06
Development expenses			
Goodwill			
Long-term deferred expenses		169,394.08	325,757.68
Deferred tax assets		7,987,934.44	4,925,665.99
Other non-current assets		14,624,909.64	16,837,081.42
Total non-current assets		406,622,519.90	357,717,508.46
Total assets		2,182,713,529.18	1,850,292,976.48

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Balance Sheet
December 31, 2022

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	*Note XV*	**Ending balance**	**Beginning balance**
Current liabilities			
Short-term borrowings		159,000,000.00	150,000,000.00
Financial liabilities held for trading			
Notes payable		10,850,128.80	16,523,731.15
Accounts payable		150,711,679.84	119,632,652.29
Advances from customers			
Contract liabilities		961,340.95	1,278,890.62
Employee compensation payable		7,104,004.00	5,809,389.14
Taxes and surcharges payable		34,408,596.42	5,884,906.14
Other payables		6,528,551.84	8,781,021.01
Liabilities held for sale			
Non-current liabilities maturing within one year		3,131,638.54	1,552,775.21
Other current liabilities		49,026.83	18,276.99
Total current liabilities		372,744,967.22	309,481,642.55
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities		7,424,996.49	4,923,293.52
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities			
Deferred income		28,721,746.45	16,739,679.77
Deferred tax liabilities		12,767,013.24	9,011,827.00
Other non-current liabilities			
Total non-current liabilities		48,913,756.18	30,674,800.29
Total liabilities		421,658,723.40	340,156,442.84

Liabilities and shareholders' equity	*Note XV*	Ending balance	Beginning balance
Shareholders' equity:			
Share capital		791,528,907.00	494,705,567.00
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserves		144,598,158.97	439,941,250.36
Less: treasury shares			300,630.00
Other comprehensive income			
Special reserves			
Surplus reserve		98,597,764.28	70,715,791.52
Undistributed profits		726,329,975.53	505,074,554.76
Total shareholders' equity		1,761,054,805.78	1,510,136,533.64
Total liabilities and shareholders' equity		2,182,713,529.18	1,850,292,976.48

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Income Statement
Year 2022

(Amounts are expressed in RMB unless otherwise stated)

Item	*Note XV*	Current period	Prior period
I. Operating revenue	*Note 4.*	687,044,585.88	607,487,790.25
Less: operating costs	*Note 4.*	570,836,382.12	495,204,491.12
Taxes and surcharges		3,229,113.46	2,577,210.89
Selling expenses		3,345,658.05	3,376,860.96
G&A expenses		47,390,550.35	37,241,214.15
R&D expenses		30,325,495.09	23,236,896.23
Financial expenses		1,858,832.91	5,002,633.94
Including: interest expenses		6,938,978.90	3,035,218.14
Interest income		3,513,080.06	3,557,602.67
Plus: other income		4,244,286.33	10,338,911.50
Investment income (loss expressed with "-")	*Note 5.*	290,137,893.74	32,427,176.23
Including: income from investment in associates and joint ventures			
Gains from derecognition of financial assets measured at amortized costs		-615,088.84	-431,350.39
Net exposure hedging gains (loss expressed with "-")			
Gains from changes in fair value (loss expressed with "-")		-4,583,498.56	3,659.67
Losses from credit impairment (loss expressed with "-")		-831,897.37	-1,612,655.57
Asset impairment losses (loss expressed with "-")		-2,622,537.47	-2,973,282.89
Profit or loss on disposal of assets (loss expressed with "-")		60,861.74	467,361.91
II. Operating profits (loss expressed with "-")		316,463,662.31	79,499,653.81
Plus: non-operating revenue		878,471.04	925,108.80
Less: non-operating expenses		1,178,940.12	873,489.21
III. Total profits (total loss expressed with "-")		316,163,193.23	79,551,273.40
Less: income tax expenses		37,343,465.68	5,944,584.17

Item	*Note XV*	Current period	Prior period
IV. Net profit (net loss expressed with "-")		278,819,727.55	73,606,689.23
Net profit from continued operations (net loss expressed with "-")		278,819,727.55	73,606,689.23
(II) Net profit from discontinued operations (net loss expressed with "-")			
V. Other comprehensive income, net of tax		-	-
(I) Other comprehensive income that cannot be reclassified into profit or loss later		-	-
(II) Other comprehensive income that will be reclassified into profit or loss			
VI. Total comprehensive income		278,819,727.55	73,606,689.23
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Statement of Cash Flows
Year 2022

(Amounts are expressed in RMB unless otherwise stated)

Item	*Note XV*	Current period	Prior period
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		711,776,864.38	629,822,238.90
Refunds of taxes and surcharges		254,258.29	527,378.79
Cash received from other operating activities		47,099,969.87	92,272,418.84
Subtotal of cash inflows from operating activities		759,131,092.54	722,622,036.53
Cash paid for purchase of goods or acceptance of services		544,657,738.12	498,805,178.84
Cash paid to and on behalf of employees		79,125,313.48	64,925,959.41
Cash paid for taxes and surcharges		27,056,252.44	19,109,837.24
Cash paid for other operating activities		41,426,014.73	78,331,368.88
Subtotal of cash outflows from operating activities		692,265,318.77	661,172,344.37
Net cash flows from operating activities		66,865,773.77	61,449,692.16
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,151,636,642.37	787,000,000.00
Cash received from investment income		20,344,492.65	40,019,854.18
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			2,382,308.28
Net cash from disposal of subsidiaries and other business units		255,451,700.00	
Cash received from other investing activities		428,817,349.98	164,126,561.11
Subtotal of cash inflows from investing activities		1,856,250,185.00	993,528,723.57
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		51,055,614.15	47,172,370.04
Cash paid for investments		1,529,387,830.00	982,000,000.00
Net cash paid to acquire subsidiaries and other business units		5,250,000.00	31,603,687.37
Cash paid for other investing activities		432,843,958.33	396,915,430.15
Subtotal of cash outflows from investing activities		2,018,537,402.48	1,457,691,487.56
Net cash flows from investing activities		-162,287,217.48	-464,162,763.99

Item	*Note XV*	Current period	Prior period
III. Cash flows from financing activities:			
Cash received from investors			468,299,950.62
Cash received from borrowings		307,000,000.00	150,000,000.00
Cash received from other financing activities			
Subtotal of cash inflows from financing activities		307,000,000.00	618,299,950.62
Cash paid for debt repayments		298,000,000.00	33,217,920.38
Cash paid for distribution of dividends and profits or payment of interests		36,264,384.04	33,400,834.02
Cash paid for other financing activities		2,020,401.02	2,912,095.97
Sub-total of cash outflows from financing activities		336,284,785.06	69,530,850.37
Net cash flows from financing activities		-29,284,785.06	548,769,100.25
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		151,999.38	-284,365.56
V. Net increase in cash and cash equivalents		-124,554,229.39	145,771,662.86
Plus: beginning balance of cash and cash equivalents		220,598,977.56	74,827,314.70
VI. Ending balance of cash and cash equivalents		96,044,748.17	220,598,977.56

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Statement of Changes in Shareholders' Equity
Year 2022

(Amounts are expressed in RMB unless otherwise stated)

	Current period								
Item	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Ending balance of last year	494,705,567.00		439,941,250.36	300,630.00			70,715,791.52	505,074,554.76	1,510,136,533.64
Plus: changes in accounting policies									
Correction of accounting errors in prior periods									
Others									
II. Beginning balance of this year	494,705,567.00		439,941,250.36	300,630.00			70,715,791.52	505,074,554.76	1,510,136,533.64
III. Increases and decreases in this year	296,823,340.00		-295,343,091.39	-300,630.00			27,881,972.76	221,255,420.77	250,918,272.14
(I) Total comprehensive income								278,819,727.55	278,819,727.55
(II) Capital contributed or reduced by shareholders			1,480,248.61	-300,630.00					1,780,878.61
1. Ordinary shares invested by shareholders				-300,630.00					300,630.00
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payments included in shareholders' equity			1,480,248.61						1,480,248.61
4. Others									
(III) Profit distribution							27,881,972.76	-57,564,306.78	-29,682,334.02
1. Withdrawal of surplus reserves							27,881,972.76	-27,881,972.76	
2. Profits distributed to shareholders								-29,682,334.02	-29,682,334.02
3. Others									

Item	Current period								
	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
(IV) Internal carry-forward of shareholders' equity	296,823,340.00		-296,823,340.00						
1. Conversion of capital reserves into share capital	296,823,340.00		-296,823,340.00						
2. Conversion of surplus reserves into share capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Special reserves									
1. Withdrawal in the current period									
2. Use in the current period									
(VI) Others									
IV. Ending balance of this year	791,528,907.00		144,598,158.97				98,597,764.28	726,329,975.53	1,761,054,805.78

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Statement of Changes in Shareholders' Equity
Year 2022

(Amounts are expressed in RMB unless otherwise stated)

	Current period								
Item	**Share capital**	**Other equity instruments**	**Capital reserves**	**Less: treasury shares**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Undistributed profits**	**Total shareholders' equity**
I. Ending balance of last year	306,269,712.00		160,510,166.53	7,792,608.00			63,355,122.60	469,453,889.46	991,796,282.59
Plus: changes in accounting policies									
Correction of accounting errors in prior periods									
Others									
II. Beginning balance of this year	306,269,712.00		160,510,166.53	7,792,608.00			63,355,122.60	469,453,889.46	991,796,282.59
III. Increases and decreases in this year	188,435,855.00		279,431,083.83	-7,491,978.00			7,360,668.92	35,620,665.30	518,340,251.05
(I) Total comprehensive income								73,606,689.23	73,606,689.23
(II) Capital contributed or reduced by shareholders	65,927,971.00		401,938,967.83	-7,491,978.00					475,358,916.83
1. Ordinary shares invested by shareholders	65,927,971.00		400,728,651.39	-7,491,978.00					474,148,600.39
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payments included in shareholders' equity			1,210,316.44						1,210,316.44
4. Others									
(III) Profit distribution							7,360,668.92	-37,986,023.93	-30,625,355.01
1. Withdrawal of surplus reserves							7,360,668.92	-7,360,668.92	
2. Profits distributed to shareholders								-30,625,355.01	-30,625,355.01
3. Others									

Item	Current period								
	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
(IV) Internal carry-forward of shareholders' equity	122,507,884.00		-122,507,884.00						
1. Conversion of capital reserves into share capital	122,507,884.00		-122,507,884.00						
2. Conversion of surplus reserves into share capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Special reserves									
1. Withdrawal in the current period									
2. Use in the current period									
(VI) Others									
IV. Ending balance of this year	494,705,567.00		439,941,250.36	300,630.00			70,715,791.52	505,074,554.76	1,510,136,533.64

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

I. BASIC INFORMATION OF THE COMPANY

(I) Registration place, organizational form and headquarters address of the Company

Jiangsu Olive Sensors High-tech Corporation Limited (hereinafter referred to as "the Company") is a joint stock limited company established by the overall change of its predecessor, Yangzhou Olive Sensor Co., Ltd. It was registered with the former Yangzhou Administration for Industry and Commerce on October 10, 2010 with a registered capital of RMB50 million. Upon the approval of the China Securities Regulatory Commission with the document (ZJXK [2016] No. 541), the Company issued 16.67 million shares of RMB ordinary shares (A shares) to the public. The Company's shares were listed on the Shenzhen Stock Exchange on April 29, 2016. The Company currently holds a business license with the unified social credit code of 91321000608707880C.

On May 5, 2017, the Company's 2016 annual general meeting resolved to issue 8 additional shares for every 10 shares held to all shareholders based on the total share capital of 66.67 million shares as of the end of 2016. After the increase, the total number of shares of the Company was 120.006 million shares, and the share capital was changed to RMB120.006 million.

On April 18, 2018, the Company's 2017 annual general meeting resolved to grant 2,226,000 restricted shares of RMB ordinary shares (A shares) to 141 incentive objects. After the grant, the total number of shares of the Company changed to 122,232,000 shares, and the share capital changed to RMB122,232,000; 110,000 reserved restricted shares of ordinary shares (A-shares) were granted to one incentive object. After the grant, the total number of shares of the Company was changed to 122,342,000 and the share capital was changed to RMB122,342,000.

On April 18, 2019, the Company's 2018 annual general meeting resolved to issue 8 additional shares for every 10 shares held to all shareholders based on the total share capital as of the end of 2018. After the increase, the total number of shares of the Company was 220,215,600 and the share capital was changed to RMB220,215,600.

On June 18, 2019, the Company's 3rd extraordinary general meeting in 2019 resolved to repurchase and cancel 37,800 shares from the original three incentive objects initially granted under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 220.1778 million, and the share capital was changed to RMB220.1778 million.

On November 13, 2019, the Company's 4th extraordinary general meeting in 2019 resolved to repurchase and cancel 91,800 shares from the original four incentive objects initially granted under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 220.086 million, and the share capital was changed to RMB220.086 million.

On May 19, 2020, the Company's 2019 annual general meeting resolved to issue 4 additional shares for every 10 shares held to all shareholders based on the total share capital of 220.086 million shares. After the increase, the total number of shares of the Company was 308.1204 million shares, and the share capital was changed to RMB308.1204 million.

On August 24, 2020, the Company's 2nd extraordinary general meeting in 2020 resolved to repurchase and cancel 1,850,688 shares granted to incentive objects of the initial grant and reserved grant portions under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 306,269,712, and the share capital was changed to RMB306,269,712.

On May 20, 2021, the Company's 2020 annual general meeting resolved to issue 4 additional shares for every 10 shares held to all shareholders based on the total share capital of 306,269,712 shares. After the increase, the total number of shares of the Company was 428,777,596 shares, and the share capital was changed to RMB428,777,596.

On January 5, 2021, approved by the China Securities Regulatory Commission with the document (ZJXK [2021] No. 25), the Company issued 65,927,971 shares to specific targets. After the issuance of shares, the total number of shares of the Company was 494,705,567 shares, and the share capital was changed to RMB494,705,567.

On April 28, 2022, the Company's 2021 annual general meeting resolved to issue 6 additional shares for every 10 shares held to all shareholders based on the total share capital of 494,705,567 shares. After the increase, the total number of shares of the Company was 701,528,907 shares, and the share capital was changed to RMB701,528,907.

After years of distribution of bonus shares, capital increase and new share issuance, as of December 31, 2022, the Company has issued a total of 701,528,907 shares, with a registered capital of RMB701,528,907. The registered address is No. 158, Xiangyuan Road, Yangzhou High-tech Industrial Development Zone, Jiangsu Province, and the headquarters address is No. 158, Xiangyuan Road, Yangzhou High-tech Industrial Development Zone, Jiangsu Province. The actual controller is a natural person: Li Hongqing.

(II) Nature of business and main operating activities of the Company

The Company engages in an auto parts and components manufacturing, and its main products and services are sensors and accessories, fuel system accessories, auto interior trim parts, etc.

(III) Scope of consolidated financial statements

A total of 7 subsidiaries were included in the scope of consolidated financial statements in the current period, as detailed in Note VII. Equity in other entities. Compared with the previous period, the number of entities included in the scope of consolidated financial statements in the current period increased by 1 and decreased by 1. For the specific information of the entities with changes in the consolidation scope, please refer to "Note VI. Changes in the consolidation scope".

(IV) Approval of financial statements

The financial statements were approved by the Board of Directors of the Company for disclosure on April 20, 2023.

II. PREPARATION BASIS OF FINANCIAL STATEMENTS

(I) Preparation basis of financial statements

The Company recognizes and measures the actual transactions and events in accordance with the Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance and specific Accounting Standards for Business Enterprises, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), and prepares the financial statements on this basis in combination with the provisions of the China Securities Regulatory Commission's Rules for the Compilation and Reporting of Information Disclosure by Companies Issuing Securities to the Public No. 15 – General Provisions on Financial Reports (Revised in 2014).

(II) Going concern

The Company has evaluated the going-concern ability for 12 months from the end of the reporting period, and no matters or circumstances that cast significant doubt on the going-concern ability have been found. Therefore, the financial statements are prepared on a going concern basis.

(III) Accounting basis and pricing principles

The accounting of the Group is based on the accrual basis. Except for investment properties and certain financial instruments measured at fair value, the financial statements are based on historical cost. In the event of any asset impairment, a provision for impairment will be made in accordance with relevant provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, cash flows and other relevant information during the reporting period.

(II) Accounting period

The fiscal year is from January 1 to December 31 of each calendar year.

(III) Operating cycle

Operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as an operating cycle and uses it as the liquidity classification criteria for assets and liabilities.

(IV) Recording currency

The Company uses RMB as the recording currency.

Overseas subsidiaries take the currency in the main economic environment in which they operate as the recording currency, and convert it into RMB when preparing financial statements.

(V) Accounting treatment method of business combinations under common control and not under common control

1. If the terms, conditions and economic impact of the transactions in the process of realizing the business combination step by step meet one or more of the following conditions, multiple transactions will be accounted for as a package of transactions

(1) These transactions are concluded at the same time or under the consideration of mutual effect;

(2) Only these transactions as a whole can reach a complete commercial result;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction; and

(4) A single transaction is uneconomical but it is economical when considered together with other transactions.

2. Business combination under common control

The assets and liabilities acquired by the Company in the business combination shall be measured at the book value of the assets and liabilities of the combined party (including the goodwill formed by the acquisition of the combined party by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The difference between the book value of net assets acquired from the combination and the book value of the consideration paid for the combination (or the total nominal value of shares issued) shall be adjusted to the capital stock premium in the capital reserves, and the retained earnings shall be adjusted if the capital stock premium in the capital reserves is insufficient to be offset.

If there is contingent consideration and the estimated liabilities or assets need to be recognized, the capital reserve (capital premium or equity premium) shall be adjusted according to the difference between the amount of the estimated liabilities or assets and the settlement amount of the subsequent contingent consideration. If the capital reserve is insufficient, the retained earning shall be adjusted.

If the business combination is finally realized through multiple transactions, which belong to a package of transactions, each transaction shall be accounted for as a transaction to obtain the right of control; if it does not belong to a package of transactions, the capital reserve shall be adjusted at the difference between the initial investment cost of the long-term equity investments on the date of obtaining right of control and the sum of the book value of the long-term equity investments before the combination and the book value of the newly paid consideration for the further acquisition of shares on the combination date; if capital reserve is insufficient for offset, retained earnings shall be adjusted. For equity investments held before the combination date, other comprehensive income recognized due to the adoption of accounting by equity method or recognition and measurement standards of financial instruments shall not be accounted for temporarily, and shall be accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the investment is disposed of; other changes in owners' equity in the net assets of the investee recognized due to the adoption of accounting by equity method, except for net profit or loss, other comprehensive income and profit distribution, shall not be accounted for temporarily until they are transferred to the current profit or loss when the investment is disposed of.

3. Business combination not under common control

The acquisition date refers to the date when the Company actually obtains the right of control over the acquiree, that is, the date when the right of control over the net assets or production and operation decisions of the acquiree is transferred to the Company. The Company generally considers that the right of control has been transferred when the following conditions are met at the same time:

① The business combination contract or agreement has been approved by the internal authority of the Company.

② For the business combination matters subject to the approval by the relevant competent departments of the state, the approval has been obtained.

③ The necessary procedures for the transfer of property rights have been handled.

④ The Company has paid most of the merger price and has the ability and plan to pay the remaining amount.

⑤ The Company has actually controlled the financial and operating policies of the acquiree, and enjoys corresponding benefits and assumes corresponding risks.

On the acquisition date, the Company measures the assets surrendered and liabilities incurred or assumed as the consideration for business combination at fair value, and the difference between the fair value and its book value is included in the current profit or loss.

The Company recognizes the difference between the combination cost and the share of fair value of identifiable net assets of the acquiree obtained in the combination as the goodwill; the difference between the combination cost and the share of fair value of identifiable net assets of the acquiree obtained in the combination shall be included in the current profit or loss after review.

If the business combination not under common control realized step by step through multiple exchange transactions belongs to a package of transactions, each transaction shall be accounted for as a transaction to obtain the right of control; if it does not belong to a package of transactions and the equity investments held before the combination date are accounted for by equity method, the sum of the book value of the acquiree's equity investments held before the acquisition date and the new investment cost on the acquisition date shall be taken as the initial investment cost of the investments; for other comprehensive income recognized by accounting by equity method for equity investments held before the acquisition date, accounting treatment shall be made on the same basis as the investee directly disposes of the relevant assets or liabilities when disposing of the investment. If the equity investments held before the combination date are accounted for by the recognition and measurement standards of financial instruments, the sum of the fair value of the equity investments on the combination date plus the new investment cost shall be taken as the initial investment cost on the combination date. The difference between the fair value and the book value of the equity originally held and the accumulated changes in fair value originally included in the other comprehensive income shall be transferred to the investment income of the current period on the combination date.

4. Relevant expenses incurred for the combination

Intermediary fees such as audit, legal services, evaluation and consulting fees and other directly related expenses incurred for business combination shall be included in the current profit or loss when incurred; transaction costs for the issuance of equity securities for business combination that are directly attributable to equity transactions are deducted from equity.

(VI) Preparation method of consolidated financial statements

1. Consolidation scope

The consolidation scope of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including individual entity controlled by the Company) are included in the consolidated financial statements.

2. Consolidation procedure

The Company prepares the consolidated financial statements based on the financial statements of the Company and all subsidiaries with reference to other relevant materials. In preparing the consolidated financial statements, the Company treats the whole enterprise group as an accounting entity to reflect the overall financial position, operating results and cash flows of the enterprise group in accordance with the recognition, measurement and presentation requirements of the relevant Accounting Standards for Business Enterprises and in accordance with the unified accounting policies.

The accounting policies and accounting period adopted by all subsidiaries included in the scope of the consolidated financial statements shall be consistent with those of the Company; if not inconsistent with those of the Company, necessary adjustments shall be made according to the accounting policies and accounting period of the Company at preparation.

When consolidating financial statements, the impact of internal transactions between the Company and subsidiaries and between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity shall be offset. If the recognition of the same transaction from the perspective of the consolidated financial statements of the enterprise group is different from that of the Company or the subsidiary as the accounting subject, the transaction shall be adjusted from the perspective of the enterprise group.

The owner's equity, current net profit or loss and share attributable to minority shareholders in current comprehensive income of subsidiaries shall be separately presented under the owner's equity in the consolidated balance sheet, net profit and total comprehensive income in the consolidated income statement. The balance resulting from the excess of the minority shareholders' share of the current loss of a subsidiary over the minority's share of the subsidiary's owners' equity at the beginning of the period is eliminated to reduce the minority equity.

For subsidiaries acquired from business combination under the same control, adjustments shall be made to the financial statements based on the book value of its assets and liabilities (including the goodwill formed by the acquisition of the subsidiary by the ultimate controller) in the financial statements of the ultimate controller.

For subsidiaries acquired from business combinations not under common control, the financial statements will be adjusted on the basis of the fair value of the identifiable net assets on the acquisition date.

(1) Increase in subsidiaries or business

During the reporting period, if there is a new subsidiary or business due to the business combination under the same control, the beginning amount of consolidated balance sheet shall be adjusted; the revenues, expenses and profits from the beginning of the consolidation period to the end of the reporting period of the subsidiary or business shall be included in the consolidated income statement; the cash flow of subsidiaries or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated statement of cash flows, and the relevant items of the comparative statements shall be adjusted as if the consolidated reporting entity has always existed since the time point when the ultimate controller begins to control it.

Where the Company can exercise control over the investee under common control due to additional investment or other reasons, adjustments shall be made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. For equity investments held prior to the acquisition of control of the combinee, the related gains or losses, other comprehensive income and other changes in net assets recognized between the later of the date of acquisition of the original equity interest and the date on which the combining party and the combinee are under the same control and the combination date are eliminated against retained earnings at the beginning of the comparative statement period or against current profit or loss, respectively.

During the reporting period, if there is a new subsidiary or business due to business combination not under the same control, the beginning amount of the consolidated balance sheet will not be adjusted. The revenues, expenses and profits of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flow of the subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

Where the Company can exercise control over the investee not under common control due to additional investment or other reasons, the Company shall re-measure the equity of the acquiree held before the acquisition date at the fair value of the equity on the acquisition date, and the difference between the fair value and the book value shall be included in the current investment income. If the equity of the acquiree held before the acquisition date involves the other comprehensive income under the accounting by equity method and changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owners' equity shall be transferred to the investment income of the period to which the purchase date belongs, except for other comprehensive income arising from the investee's re-measurement of changes in net liabilities or net assets under defined benefit plans.

(2) Disposal of subsidiary or business

1) General method of disposal

During the reporting period, if the Company disposes of subsidiaries or business, the revenues, expenses and profits of such subsidiaries or business shall be included in the consolidated income statement from the beginning of the period to the disposal date. The cash flow from the beginning period of the subsidiaries or business to the disposal date shall be included in the consolidated statement of cash flows.

When the Company loses the right of control over the investee due to disposal of part of the equity investments or other reasons, the remaining equity investments after disposal will be re-measured by the Company at their fair value on the date of loss of control. The difference between the sum of the consideration obtained from disposal of equities and the fair value of the remaining equities, less the sum of the share of net assets and goodwill of the original subsidiaries calculated continuously from the acquisition date or combination date according to the original shareholding ratio, shall be included in the investment income at the period of loss of control. Other comprehensive incomes related to the original equity investments in subsidiaries or changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution are transferred to the current investment income at loss of control, except for other comprehensive income arising from the investee's re-measurement of changes in net liabilities or net assets under defined benefit plans.

2) Dispose of subsidiary step by step

Where the equity investments in subsidiaries are disposed of step by step through multiple transactions until the loss of control, and the terms, conditions and economic impact of the disposal on various transactions of the equity investments in subsidiaries meet one or more of the following circumstances, it generally indicates that multiple transactions shall be taken as a package of transactions for accounting treatment:

A. These transactions are concluded simultaneously or with consideration of mutual effects;

B. Only these transactions as a whole can reach a complete commercial result;

C. The occurrence of one transaction depends on the occurrence of at least one other transaction;

D. A transaction is uneconomical on its own, but it is economical when considered with other transactions.

If the disposal of equity investments in subsidiaries until the loss of control belongs to a package of transactions, the company will treat each transaction as a disposal of subsidiaries and the loss of control transaction for accounting treatment; however, before loss of control, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the disposal investment is recognized as other comprehensive income in consolidated financial statements, and is transferred into the current profit or loss on the loss of control.

Where the disposal of various transactions from the equity investments in subsidiaries until the loss of control are not a package of transactions, before the loss of control, accounting treatment shall be carried out according to the relevant policies on partial disposal of equity investments of subsidiaries without loss of control; when loss of control, the accounting treatment shall be carried out in accordance with the general treatment of the disposal of subsidiaries.

(3) Purchase of minority interests in subsidiaries

The equity premium in the capital reserves in the consolidated balance sheet shall be adjusted at the difference between the long-term equity investments acquired by the Company for the purchase of minority interests and the share of net assets of the subsidiaries calculated continuously from the acquisition date (or combination date) according to the newly increased shareholding ratio; if the equity premium in the capital reserves is insufficient to be offset, the retained earnings shall be adjusted.

(4) Partial disposal of equity investments to the subsidiaries without loss of control

The capital stock premium in the capital reserves in the consolidated balance sheet will be adjusted at the difference between the disposal price obtained from partial disposal of long-term equity investments to the subsidiaries without loss of control and the share of net assets of the subsidiaries calculated continuously from the acquisition date or combination date corresponding to the disposal of the long-term equity investments; if the capital stock premium in the capital reserve is insufficient to be offset, the retained earnings will be adjusted.

(VII) Recognition criteria for cash and cash equivalents

For the purpose of preparing the statement of cash flows, the cash on hand and the deposits that can be readily available for payment of the Company are recognized as cash. Cash equivalents refer to short-term (generally maturing within three months from the acquisition date) 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.

(VIII) Foreign currency transaction and translation of foreign currency statements

1. Foreign currency transactions

At the initial recognition of foreign currency transactions, the spot exchange rate on the date of transaction is used as the conversion exchange rate to convert it into RMB for bookkeeping.

On the balance sheet date, the foreign currency monetary item shall be converted according to the spot exchange rate on the balance sheet date, and the exchange difference arising therefrom shall be included in the current profit or loss, except that the exchange difference arising from the special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization shall be treated according to the principle of capitalization of borrowing costs. Foreign currency non-monetary items measured at historical cost shall still be translated at the spot exchange rate on the date when the transaction occurs, and the amount in recording currency shall remain unchanged.

Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The difference between the amount in recording currency after translation and the amount in recording currency before translation shall be treated as profit or loss from changes in fair value (including fluctuation in exchange rate), and shall be included in the current profit or loss or recognized as other comprehensive income.

2. Conversion of foreign currency financial statements

The assets and liabilities items in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. And the owners' equity shall be converted at the spot exchange rate when the transactions occur except for the "undistributed profits". The revenue and expense items in the income statement are translated at the average exchange rate for the current period. The difference arising from the translation of foreign-currency financial statements arising from the above translation shall be included in other comprehensive income.

When disposing of overseas operation, the difference arising from the translation of foreign-currency financial statements listed in other comprehensive income items in the balance sheet and related to the overseas operation shall be transferred from other comprehensive income items to the current profit or loss on disposal; when the proportion of the overseas operation interests held decreases due to the partial disposal of equity investments or for other reasons, without the loss of control over the overseas operation, the translation differences of foreign currency statements related to the disposal of the overseas operation shall be attributable to minority interests and shall not be transferred to the current profit or loss. Where the Company disposes of part of the equity of an overseas operation as associates or joint ventures, the translation differences of foreign currency statements related to the overseas operation shall be transferred to the current profit or loss at the proportion of disposal of the overseas operation.

(IX) Financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

Effective interest method refers to the method of calculating the amortized costs of financial assets or financial liabilities and allocating interest income or interest expenses to each accounting period.

Effective interest rate refers to the interest rate used to discount the estimated future cash flows of financial assets or financial liabilities during the expected duration to the book balance of the financial assets or the amortized costs of the financial liabilities. In determining the effective interest rate, the estimated cash flows are based on consideration of all contract terms of the financial assets or financial liabilities (e.g. prepayment, extension, call option or other similar options) but not expected credit loss.

The amortized costs of a financial asset or financial liability is the initial recognition amount of the financial asset or financial liability less the principal repaid, plus or minus the accumulated amortization formed by using the effective interest method to amortize the difference between the initial recognition amount and the amount at maturity, and then less the accumulated loss provision (only applicable to financial assets).

1. Classification and measurement of financial assets

The Company classifies financial assets into the following three categories based on the business model of the financial assets under management and the contractual cash flows characteristics of the financial assets:

(1) Financial assets measured by amortized costs;

(2) Financial assets measured at fair value through other comprehensive income;

(3) Financial assets measured at fair value through the current profit or loss.

Financial assets are measured at fair value at initial recognition, but if accounts receivable or notes receivable arising from the sale of goods or the provision of services do not contain a significant financing component or do not take into account a financing component of less than one year, they are initially measured at transaction prices.

For financial assets measured at fair value through the current profit or loss, the relevant transaction costs are directly included in the current profit or loss, and the relevant transaction costs of other types of financial assets are included in their initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified only when and if the Company changes the business model of managing financial assets.

(1) Financial assets classified as those measured at amortized costs

The contract terms of the financial assets provide that the cash flows generated on a specific date are only the payment of the principal and interest based on the outstanding principal amount, and the business model for managing the financial assets is aimed at collecting contractual cash flows, then the Company classifies the financial assets as financial assets measured at amortized costs. Financial assets classified by the Company as those measured at amortized costs include monetary funds, notes receivable and accounts receivable, other receivables, long-term receivables, etc.

The Company recognizes interest income of such financial assets by effective interest method, and subsequently measures them at amortized costs. Gains or losses arising from impairment or derecognition or modification are included in the current profit or loss. Except for the following circumstances, the Company determines the interest income based on the book balance of the financial assets multiplied by the effective interest rate:

1) For purchased or originated financial assets with credit impairment, the Company shall, from the initial recognition, calculate and determine the interest income according to the amortized costs and credit-adjusted effective interest rate of the financial assets.

2) For purchased or originated financial assets that have not experienced credit impairment but become credit impairment in subsequent periods, the Company shall calculate and determine their interest income in subsequent periods according to the amortized costs and effective interest rate of the financial assets. If the financial instruments no longer have credit impairment due to the improvement of its credit risk in subsequent periods, the Company shall calculate and determine the interest income by multiplying the effective interest rate by the book balance of the financial assets.

(2) Financial assets classified as measured at fair value through other comprehensive income

If the contract terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount, and the business model of managing the financial assets aims at both collecting contractual cash flows and selling the financial assets, the Company classifies the financial assets as the financial assets measured at fair value through other comprehensive income.

The Company recognizes interest income on such financial assets using the effective interest method. Except for interest income, impairment losses and exchange differences recognized as current profit or loss, other changes in fair value are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in the current profit or loss.

Notes receivable and accounts receivable measured at fair value through other comprehensive income are presented as receivables financing, and other such financial assets are presented as other debt investments, of which: other debt investments maturing within one year from the balance sheet date are presented as non-current assets maturing within one year, and other debt investments with original maturity date within one year are presented as other current assets.

(3) Financial assets designated to be measured at fair value through other comprehensive income

At the time of initial recognition, the Company may irrevocably designate non-trading equity instruments investments as financial assets measured at fair value through other comprehensive income on an individual financial asset basis.

Changes in the fair value of such financial assets are included in other comprehensive income without provision for impairment. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings. During the period when the Company holds the investments in equity instruments, when the Company's right to receive dividends has been established, the economic benefits related to the dividends are likely to flow into the Company, and the amount of the dividends can be measured reliably, the dividend revenue is recognized and included in the current profit or loss. The Company lists such financial assets in the investments in other equity instruments.

If the investments in equity instruments meets one of the following conditions, they belong to the financial assets measured at fair value through the current profit or loss: the purpose of obtaining the financial assets is mainly for sale in the near future; it is part of the portfolio of identifiable financial assets instruments under centralized management at the time of initial recognition, and there is objective evidence that a short-term profit model actually exists in the near future; they belong to derivative instruments (except for derivative instruments that meet the definition of financial guarantee contract and are designated as effective hedging instruments).

(4) Financial assets classified as measured at fair value through current profit or loss

Financial assets that do not meet the conditions for classification as amortized costs measured or measured at fair value through other comprehensive income are included in other comprehensive income, and are not designated as financial assets measured at fair value through other comprehensive income, are classified as financial assets measured at fair value through the current profit or loss.

The Company adopts fair value for subsequent measurement of such financial assets, and includes the gains or losses arising from changes in fair value and the dividends and interest income related to such financial assets into the current profit or loss.

The Company presents such financial assets in the items of financial assets held for trading and other non-current financial assets according to their liquidity.

(5) Financial assets designated to be measured at fair value through current profit or loss

At the time of initial recognition, in order to eliminate or significantly reduce the accounting mismatch, the Company may irrevocably designate the financial assets as the financial assets measured at fair value through the current profit or loss on an individual financial asset basis.

If a mixed contract contains one or more embedded derivative instruments and its master contract does not belong to the above financial assets, the Company may designate it as a financial instrument measured at fair value through the current profit or loss. However, the following conditions are excluded:

1) Embedded derivative instrument does not significantly change the cash flow of the mixed contract.

2) When initially determining whether similar mixed contracts need to be split, it is almost clear that the embedded derivative instruments contained therein should not be split without analysis. For example, the embedded prepayment right allows the holder to prepay the loan in an amount close to the amortized costs. The prepayment right does not need to be split.

The Company adopts fair value for subsequent measurement of such financial assets, and includes the gains or losses arising from changes in fair value and the dividends and interest income related to such financial assets into the current profit or loss.

The Company presents such financial assets in the items of financial assets held for trading and other non-current financial assets according to their liquidity.

2. Classification and measurement of financial liabilities

The Company classifies the financial instrument or its components as financial liabilities or equity instruments at initial recognition based on the contract terms of the financial instruments issued and the economic substance reflected therein, rather than solely in legal form, in combination with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as: financial liabilities measured at fair value through the current profit or loss, other financial liabilities, and derivative instruments designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value through the current profit or loss, the relevant transaction costs are directly included in the current profit or loss; for other types of financial liabilities, the relevant transaction costs are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured by fair value through the current profit or loss

Such financial liabilities include financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and financial liabilities designated to be measured at fair value through the current profit or loss at initial recognition.

Financial liabilities held for trading are those that meet one of the following conditions: the purpose of assuming the relevant financial liabilities is mainly to sell or repurchase in the near future; they belong to the part of the portfolio of identifiable financial instruments under centralized management, and there is objective evidence that the enterprise has recently adopted a short-term profit model; they belong to derivative instrument, except for derivative instrument designated as effective hedging instrument and derivative instrument in compliance with financial guarantee contract. Financial liabilities held for trading (including derivative instruments belonging to financial liabilities) shall be subsequently measured at fair value. Except for those related to hedge accounting, changes in fair value shall be included in the current profit or loss.

At the time of initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates the financial liabilities meeting one of the following conditions as the financial liabilities measured at fair value through the current profit or loss:

1) it can eliminate or significantly reduce the accounting mismatch.

2) According to the enterprise risk management or investment strategies stated in formal written documents, the Company manages and evaluates the performance of the financial liabilities portfolio or the portfolio of financial assets and financial liabilities on the basis of the fair value, and reports to the key officers within the enterprise on this basis.

The Company adopts fair value for subsequent measurement of such financial liabilities. Except for the changes in fair value caused by the Company's own changes in credit risk, which are included in other comprehensive income, other changes in fair value are included in the current profit or loss. Unless the inclusion of fair value changes caused by the Company's own credit risk changes in other comprehensive income would cause or enlarge the accounting mismatch in the profit or loss, the Company will include all fair value changes (including the amount affected by its own credit risk changes) in the current profit or loss.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized costs. For such financial liabilities, the effective interest method is adopted, and subsequent measurement is carried out according to the amortized costs. Gains or losses arising from derecognition or amortization are included in the current profit or loss:

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

2) The transfer of financial assets does not meet the conditions for derecognition or continues to be involved in the financial liabilities formed by the transferred financial assets.

3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under 1) category of this article and have loans at below-market interest rates.

Financial guarantee contracts refer to contracts that require the issuer to pay a specified amount to the contract holder who has suffered losses when a particular debtor is unable to pay a debt due in accordance with the original or modified debt instrument terms. Financial guarantee contracts not belonging to the financial liabilities designated to be measured by fair value through the current profit or loss shall be measured at the amount of loss provision or the balance of the initial recognition amount deducting the accumulated amortization amount within the guarantee period after initial recognition, whichever is higher.

3. Derecognition of financial assets and financial liabilities

(1) If a financial asset meets one of the following conditions, the financial asset shall be derecognized, that is, it shall be written off from its account and balance sheet:

1) The contractual right to receive the cash flows of the financial assets is terminated.

2) The financial assets have been transferred and the transfer meets the requirements for derecognition of the financial assets.

(2) Derecognition criteria of financial liabilities

If the present obligations of the financial liabilities (or part thereof) have been discharged, the financial liabilities (or part thereof) shall be derecognized.

If the Company enters into an agreement with the lender to replace the original financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities are substantially different from those of the original financial liabilities, or the contract terms of the original financial liabilities (or part thereof) are substantially modified, the original financial liabilities shall be derecognized and a new financial liability shall be recognized at the same time. The difference between the book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit or loss.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities as a whole shall be allocated according to the proportion of the fair value of the continuously recognized part and the derecognized part on the repurchase date to the overall fair value. The difference between the book value allocated to the derecognized part and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit or loss.

4. Recognition basis and measurement method of transfer of financial assets

When a financial asset is transferred, the Company assesses the extent of the risks and rewards associated with the ownership of the financial assets it retains, and deals with them according to the following circumstances:

(1) Where the Company transfers substantially all the risks and rewards related to the ownership of a financial assets, the financial assets shall be derecognized, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities.

(2) If the Company retains nearly all the risks and rewards related to the ownership of the financial assets, the financial assets shall continue to be recognized.

(3) Where the Company neither transfers nor retains almost all the risk and reward on the ownership of the financial assets (i.e. other circumstances except for (1) and (2) of this Article), they shall be treated according to the following circumstances according to whether the Company retains the control over the financial assets:

1) If the Company doesn't retain the control over the financial assets, the financial assets shall be derecognized, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities.

2) If the Company retains the control over the financial assets, it shall continue to recognize the relevant financial assets according to the extent of its continuous involvement in the transferred financial assets, and recognize the relevant liabilities accordingly. The degree of continuous involvement in the transferred financial assets refers to the degree of the risk or reward of changes in the value of transferred financial assets undertaken by the Company.

The principle of substance over form shall be adopted when judging whether the transfer of financial assets satisfies the above-mentioned derecognition criteria of financial assets. The Company divides the transfer of financial assets into the overall transfer and the partial transfer of financial assets.

(1) If the overall transfer of the financial assets meets the derecognition criteria, the difference between the following two amounts shall be included in the current profit or loss:

1) The book value of the transferred financial assets on the derecognition date.

2) The sum of the consideration received from the transfer of financial assets and the amount corresponding to the derecognized part of the accumulated amount of changes in fair value originally and directly included in the other comprehensive income (the financial assets involved in the transfer are classified as the financial assets measured at fair value through the other comprehensive income).

(2) If the financial assets are partially transferred and the transferred portion satisfies the derecognition criteria as a whole, the entire book value of the financial assets before the transfer shall be amortized between the derecognized portion and the continuously recognized portion (in this case, the retained service assets shall be deemed as part of the continuously recognized financial assets) according to their respective relative fair values on the transfer date, and the underrecognized part according to their respective relative fair values on the transfer date, and then the difference between the following two amounts shall be recorded into the current profit or loss:

1) The book value of the derecognized part on the derecognition date.

2) The sum of the consideration received from the derecognized part and the corresponding amount of derecognized part in the accumulated amount of changes in fair value originally included in the other comprehensive income (the financial assets involved in the transfer are classified as the financial asset measured at fair value through other comprehensive income).

If the transfer of financial assets does not satisfy the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liabilities.

5. Determination method of fair value of financial assets and financial liabilities

The fair value of financial assets or financial liabilities with an active market is determined by the quoted price of the active market, unless there is a restricted period for the asset itself. For financial assets with restricted sales for the asset itself, the compensation amount required by the market participant for bearing the risk of not being able to sell the financial assets in the open market within the specified period shall be deducted from the quoted price in the active market. Quotations in active markets include quotations for the relevant assets or liabilities that are readily and regularly available from exchanges, traders, brokers, industry groups, pricing agencies or regulatory authorities, and represent actual and frequent market transactions on an arm's length basis.

The fair value of financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of market transaction prices.

For financial assets or financial liabilities without active market, the fair value shall be determined by valuation techniques. In the valuation, the Company adopts the valuation techniques that are applicable in the current situation and supported by sufficient available data and other information, selects the inputs that are consistent with the characteristics of the assets or liabilities considered by market participants in the transaction of the relevant assets or liabilities, and gives priority to the use of relevant observable inputs as much as possible. When relevant observable inputs cannot be obtained or are impracticable to obtain, unobservable inputs are used.

6. Impairment of financial instruments

The Company shall conduct impairment accounting and recognize loss provisions on the basis of expected credit losses for financial assets measured at amortized costs, financial assets classified as measured at fair value through other comprehensive income, lease receivables, contract assets, loan commitments that are not financial liabilities measured at fair value through the current profit or loss, financial liabilities that are not measured at fair value through the current profit or loss, and financial guarantee contracts that are formed due to the transfer of financial assets that do not meet the conditions for derecognition or continuous involvement in the transferred financial assets.

Expected credit loss refers to the weighted average of credit loss of financial instruments with the risk of default as the weight. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company, discounted at the original effective interest rate, that is, the present value of all the cash shortages. Among them, the financial assets purchased or originated by the Company that have incurred credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustment.

For financial assets purchased or originated that have incurred credit impairment, only the cumulative change in expected credit loss during the entire duration since initial recognition is recognized as loss provision on the balance sheet date. On each balance sheet date, the amount of changes in expected credit loss during the entire duration is included in the current profit or loss as an impairment loss or gain. The favorable change in expected credit loss is recognized as impairment gain even if the expected credit loss during the entire duration determined on the balance sheet date is less than the expected credit loss reflected in the estimated cash flows at the time of initial recognition.

For financial assets other than those subject to simplified measurement and purchased or originated that have suffered from credit impairment, the Company assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition on each balance sheet date, and measures its loss provisions, recognizes expected credit losses and their changes respectively according to the following circumstances:

(1) If the credit risk of the financial instruments has not increased significantly since the initial recognition and is in the first stage, the loss provision is measured at an amount equal to the expected credit loss of the financial instruments over the next 12 months, and the interest income is calculated based on the book balance and effective interest rate.

(2) If the credit risk of the financial instruments has increased significantly since initial recognition but no credit impairment has occurred, and it is in the second stage, the loss provision shall be measured at an amount equivalent to the expected credit loss of the financial instruments during the entire duration, and the interest income shall be calculated based on the book balance and the effective interest rate.

(3) If the financial instruments have suffered from credit impairment since its initial recognition, which is in the third stage, the Company measures its loss provision at an amount equal to the expected credit loss of the financial instruments during the entire duration, and calculates interest income based on amortized costs and effective interest rate.

The increase or reversal of the provision for credit loss of financial instruments shall be included in the current profit or loss as impairment loss or gain. Except for financial assets classified as measured at fair value through other comprehensive income, the provision for credit loss offsets the book balance of financial assets. For financial assets classified as measured at fair value through other comprehensive income, the Company recognizes the provision for credit loss in other comprehensive income without reducing the book value of the financial assets presented in the balance sheet.

In the previous accounting period, the Company has measured the loss provision according to the amount equivalent to the expected credit loss of the financial instruments during the entire duration. However, on the current balance sheet date, the financial instruments no longer belong to the situation where the credit risk has increased significantly since the initial recognition. On the current balance sheet date, the Company measures the loss provision of the financial instruments according to the amount equivalent to the expected credit loss in the next 12 months, and the reversal amount of the resulting loss provision is included in the current profit or loss as impairment gains.

(1) Significant increase in credit risk

The Company uses reasonable and well-founded forward-looking information available to determine whether the credit risk of the financial instruments has increased significantly since initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date. For financial guarantee contracts, the Company applies the impairment of financial instruments regulations, and the date on which the Company becomes a party to the irrevocable commitment is the initial recognition date.

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

1) Whether the actual or expected operating results of the debtor have changed significantly;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;

3) Whether there are significant changes in the value of collateral used as debt collateral or the quality of guarantee or credit enhancement provided by a third party, which are expected to reduce the economic motivation of the debtor to repay the debt within the contract period or affect the probability of default;

4) Whether the debtor's expected performance and repayment behavior have changed significantly;

5) Whether there is any change in the Company's credit management method for financial instruments, etc.

On the balance sheet date, if the Company judges that the financial instruments only have low credit risk, the Company assumes that the credit risk of the financial instruments has not increased significantly since the initial recognition. If the default risk of the financial instruments is low, the borrower's ability to fulfill its contractual cash flow obligation in the short term is strong, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligation, then the financial instruments is considered to have a low credit risk.

(2) Financial assets with credit impairment

In case of one or more events having an adverse effect on the expected future cash flows of the financial assets, the financial assets will be taken as the financial assets with credit impairment. Evidence that the financial assets has credit impairment includes the following observable information:

1) The issuer or the debtor suffers from severe financial difficulties;

2) The debtor breaches the contract, such as default or delay in repayment of interest or principal;

3) The creditor gives the debtor any concession that it would not make under any other circumstances for economic or contractual considerations related to the debtor's financial difficulties;

4) The debtor is likely to go bankrupt or undergo other financial reorganization;

5) The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;

6) Purchase or originate a financial asset at a substantial discount that reflects the fact that a credit loss has occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by separately identifiable events.

(3) Determination of expected credit loss

The Company assesses the expected credit loss of financial instruments based on individual and portfolio, and considers reasonable and well-founded information about past events, current conditions and future economic conditions when assessing the expected credit loss.

The Company divides financial instruments into different portfolios based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: type of financial instruments, credit risk rating, aging portfolio, contract settlement cycle, debtor's industry, etc. The individual assessment criteria and portfolio credit risk characteristics of the relevant financial instruments are detailed in the accounting policies of the relevant financial instruments.

The Company determines the expected credit loss of the relevant financial instruments according to the following methods:

1) For financial assets, the credit loss is the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be received.

2) For lease accounts receivable, the credit loss is the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be received.

3) For financial guarantee contracts, the credit loss is the present value of the difference between the expected payment to be made by the Company to the holder of such contract for credit losses incurred by the holder of such contract, less the amount the Company expects to collect from the holder of such contract, the debtor or any other party.

4) For financial assets that have incurred credit impairment on the balance sheet date but not those purchased or originated that have incurred credit impairment, the credit loss is the difference between the book balance of the financial assets and the present value of the estimated future cash flows discounted at the original effective interest rate.

The method of measuring the expected credit loss of financial instruments of the Company reflects the following factors: the weighted average amount of unbiased probability determined by evaluating a series of possible results; time value of money; reasonable and well-founded information about past events, current conditions and projections of future economic conditions that can be obtained without unnecessary additional cost or effort on the balance sheet date.

(4) Write-down of financial assets

When the Company no longer reasonably expects that the contractual cash flows of the financial assets can be recovered in whole or in part, the book balance of the financial assets shall be directly written down. Such write-downs constitute the derecognition of the relevant financial assets.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet without offsetting each other. However, if the following conditions are met at the same time, the net amount after mutual offset shall be listed in the balance sheet:

(1) The Company has the legal right to offset the recognized amount, and such legal right is currently enforceable;

(2) The Company plans to settle on a net basis, or to realize the financial assets and settle the financial liabilities at the same time.

(X) Notes receivable

See Note III. (IX) 6. Impairment of financial instruments for the determination method and accounting treatment method of the expected credit loss of the Company's notes receivable.

When it is impossible to evaluate sufficient evidence of expected credit loss at a reasonable cost at the level of a single instrument, the Company shall, with reference to historical credit loss experience, combine the current situation and the judgment of future economic conditions, divide the notes receivable into several portfolios based on the credit risk characteristics, and calculate the expected credit loss on the basis of the portfolio. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio of bank acceptance bill	The drawer has a high credit rating, no default on bills in history, extremely low credit loss risk, and a strong ability to fulfill its obligations to pay contractual cash flows in a short term	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration
Portfolio of commercial acceptance bill	The credit risk of the acceptor is similar to that of the accounts receivable customers	Calculated according to the comparison table of the aging and the expected credit loss rate during the entire duration

(XI) Accounts receivable

See Note III. (IX) 6. Impairment of financial instruments for the determination method and accounting treatment method of the expected credit loss of the Company's accounts receivable.

The Company determines the credit loss of accounts receivable with sufficient evidence to assess the expected credit loss at a reasonable cost at the level of a single instrument.

When it is impossible to evaluate the sufficient evidence of expected credit losses at a reasonable cost at the level of a single instrument, the Company shall, with reference to historical credit loss experience, combine the current situation and the judgment of future economic conditions, divide the accounts receivable into several portfolios based on the credit risk characteristics, and calculate the expected credit loss on a portfolio basis. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio of related parties within the consolidation scope	Accounts receivable of related parties included in the consolidation scope	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration
Aging portfolio	Accounts receivable portfolio with similar credit risk characteristics by aging	Calculated according to the comparison table of the aging and the expected credit loss rate during the entire duration

(XII) Other receivables

See Note III. (IX) 6. Impairment of financial instruments for the determination method and accounting treatment method of the expected credit loss of the Company's other receivables.

The Company determines the credit loss of other receivables that can be assessed at a reasonable cost at the level of individual instruments with sufficient evidence of expected credit loss.

When it is impossible to evaluate sufficient evidence of expected credit losses at a reasonable cost at the level of a single instrument, the Company refers to historical credit loss experience, combines current conditions and judgments about future economic conditions, and divides other receivables into several portfolios based on credit risk characteristics, and calculates expected credit losses on a portfolio basis. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio I	Guarantee deposit, reserve fund, temporary payment and other nature payments	The expected credit loss is accrued through the exposure at default and the expected credit loss rate in the next 12 months or during the entire duration
Portfolio II	Other receivables of related parties included in the consolidation scope	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration

(XIII) Inventories

1. Classification of inventories

Inventories refer to the finished products or commodities held by the Company for sale in daily activities, products in progress in the production process, materials and supplies consumed in the production process or labor service process, etc. Inventories mainly include raw materials, circulating materials, consigned processing materials, products in progress, self-manufactured semi-finished products, stock commodities, dispatched goods, contract performance cost, etc.

2. Measurement method for inventories

When inventories are acquired, they are initially measured at cost, including purchase cost, processing cost and other cost. Inventories are measured at the moving weighted average method when dispatched.

3. The basis for determining net realizable value of inventories and the methods for provision for inventory depreciation

After a comprehensive inventory check at the end of the period, the provision for inventory depreciation shall be withdrawn or adjusted according to the lower of the cost of the inventory or the net realizable value. For commodity inventories for direct sale, including finished products, stock commodities and materials for sale, the net realizable value shall be recognized at the estimated selling price less the estimated selling expenses and the relevant taxes and surcharges of the inventories in the normal production and operation process. For material inventories to be processed, the net realizable value shall be recognized at the estimated selling price of finished products less estimated costs to completion, estimated selling expenses and relevant taxes and surcharges in the normal production and operation process. The net realizable value of the inventories held for the execution of the sales contract or service contract shall be calculated on the basis of the contract price; if the quantity of the inventories held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventories shall be calculated on the base of the general selling price.

At the end of the year, the provision for inventory depreciation is made on an individual basis; however, for inventories with large quantity and low unit price, the provision for inventory depreciation shall be made according to the inventory categories. For inventories related to the series of products manufactured and sold in the same area, with the same or similar final use or purpose, and difficult to be measured separately from other items, the provision for inventory depreciation shall be made on a consolidated basis.

If the factors that caused the previous write-down of inventories have disappeared, the amount of the write-down will be restored and reversed from the amount of provision for inventory depreciation that was originally accrued, and the reversed amount will be included in the current profit or loss.

4. Inventory system

Perpetual inventory system is adopted.

5. Amortization method for low-value consumables and packaging materials

(1) Low-value consumables are amortized using one-time write-off method.

(2) Packaging materials are amortized using one-time write-off method.

(3) Other circulating materials are amortized using one-time write-off method.

(XIV) Long-term equity investments

1. Determination of the initial investment cost

(1) For long-term equity investments formed by business combination, please refer to Note III. (V) Accounting treatment method of business combinations under common control and not under common control for specific accounting policies.

(2) Long-term equity investments obtained by other means

For long-term equity investments acquired by making payments in cash, the actually paid purchase price shall be taken as the initial investment cost. The initial investment cost includes the expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments.

Long-term equity investments obtained from the issuance of equity securities shall be taken as the initial investment cost according to the fair value of the issuance of equity securities. Transaction expenses incurred in issuing or acquiring self-owned equity instruments can be deducted from equity if they are directly attributable to equity transactions.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets received or the assets surrendered can be measured reliably, the initial investment cost of the long-term equity investments received from the exchange of non-monetary assets shall be determined on the basis of the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the assets received is more reliable; for exchange of non-monetary assets that do not meet the above prerequisites, the book value of the assets surrendered and the relevant taxes and surcharges payable shall be taken as the initial investment cost of the long-term equity investments received.

For long-term equity investments acquired through debt restructuring, the initial investment cost is determined based on fair value.

2. Subsequent measurement and recognition of profit or loss

(1) Cost method

The Company can use the cost method to account for the long-term equity investments that can control the investee, and value it according to the initial investment cost, and add or recover the investment to adjust the cost of the long-term equity investments.

Besides the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration that have been declared but not yet distributed, the Company recognizes the current investment income according to the cash dividends or profit declared to be distributed according to the investees.

(2) Equity method

The Company adopts accounting by equity method for the long-term equity investments of associates and joint ventures; for equity investments in associates held indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, they are measured at fair value through profit or loss.

If the initial investment cost of the long-term equity investments is greater than the share of fair value of identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investments will not be adjusted; the difference between the initial investment cost and the share of fair value of identifiable net assets of the investee at the time of investment shall be included in current profit or loss.

After the Company obtains the long-term equity investments, it shall recognize the investment income and other comprehensive income respectively according to the share of net profit or loss and other comprehensive income realized by the investee that should be enjoyed or shared, and adjust the book value of the long-term equity investments at the same time; the book value of the long-term equity investments shall be reduced according to the part to be enjoyed calculated according to the profits or cash dividends declared to be distributed by the investee; for other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, the book value of long-term equity investments shall be adjusted and included in owners' equity.

When recognizing the share of net profit or loss of the investee, the Company shall recognize the net profit of the investee after adjustment based on the fair value of each identifiable asset of the investee at the time of acquisition of the investment. Unrealized profit or loss from internal transactions between the Company and its associates and joint ventures are offset at the proportion attributable to the Company and recognized as the investment profit or loss on this basis.

When the Company recognizes the losses incurred by the investee that shall be shared, it shall be treated in the following order: first, the book value of the long-term equity investments shall be offset. Secondly, if the book value of the long-term equity investments is insufficient to offset, the investment losses shall continue to be recognized to the extent of other long-term equity book value that substantially constitute the net investment in the investees to offset the book value of long-term receivables and other items. Finally, after the above treatment, if the enterprise still undertakes additional obligations as agreed in the investment contract or agreement, the estimated liabilities shall be recognized according to the estimated obligations and included in the current investment loss.

If the investee realizes profits in subsequent periods, the Company shall, after deducting the unrecognized loss sharing, deal with it in the reverse order of the above, write down the book balance of the recognized estimated liabilities, restore the book value of other long-term equity and long-term equity investments that substantially constitute the net investment in the investee, and resume the recognition of investment income.

3. Conversion of accounting methods for long-term equity investments

(1) Measurement at fair value transferred to accounting by equity method

For the equity investment originally held by the Company that does not have control, joint control or significant influence on the investee and is accounted for in accordance with the recognition and measurement standards for financial instruments, if it can exert significant influence on the investee or exercise joint control but does not constitute control due to additional investment or other reasons, the sum of the fair value of the equity investments originally held as determined in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments plus the newly increased investment cost shall be taken as the initial investment cost of the accounting by equity method.

If the initial investment cost under the accounting by equity method is less than the difference between the fair value of identifiable net assets share of the investee on the date of additional investment calculated according to the new shareholding ratio after the additional investment, the book value of the long-term equity investments shall be adjusted and included in the current non-operating revenue.

(2) Measurement at fair value or accounting by equity method to accounting by cost method

For equity investments originally held by the Company that does not have control, joint control or significant influence on the investee and is accounted for in accordance with the recognition and measurement standards of financial instruments, or for long-term equity investments originally held in associates and joint ventures that can exercise control over the investee not under common control due to additional investment, the sum of the book value of the equity investments originally held and the newly increased investment cost shall be taken as the initial investment cost accounted for under the cost method in the preparation of individual financial statements.

For other comprehensive income recognized by accounting by equity method for equity investments held before the acquisition date, accounting treatment shall be made on the same basis as the investee directly disposes of the relevant assets or liabilities when disposing of the investment.

If the equity investments held before the acquisition date are accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the accumulated changes in fair value originally included in other comprehensive income shall be transferred to the current profit or loss when they are accounted for under the cost method.

(3) Accounting by equity method transferred to measurement at fair value

If the Company loses common control or significant influence on the investee due to the disposal of part of the equity investments or other reasons, the remaining equity after disposal shall be accounted for in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of common control or significant influence shall be included in the current profit or loss.

For the other comprehensive income of the original equity investments recognized by adopting the accounting by equity method, the accounting treatment shall be made on the same basis for the direct disposal of the relevant assets or liabilities by the investees when the accounting by equity method is terminated.

(4) Cost method to equity method

If the Company loses control over the investee due to disposal of part of the equity investments and other reasons, when preparing individual financial statements, if the remaining equity after disposal can exercise common control or significant influence on the investee, the accounting by equity method shall be adopted, and the remaining equity shall be adjusted as if it had been accounted by equity method since the acquisition.

(5) Cost method to measurement at fair value

If the Company loses control over the investee due to disposal of part of the equity investment and other reasons, when preparing individual financial statements, if the remaining equity after disposal cannot exercise common control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value and book value on the date of loss of control shall be included in the current profit or loss.

4. Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price obtained shall be included in the current profit or loss. For long-term equity investments accounted for using the equity method, accounting treatment shall be made for the part originally included in the other comprehensive income according to the corresponding ratio on the same basis as that for the investees to directly dispose of the relevant assets or liabilities when disposing of the investment.

If the terms, conditions and economic impact of the disposal of equity investments in subsidiaries meet one or more of the following conditions, multiple transactions will be accounted for as a package of transactions:

(1) These transactions are concluded at the same time or under the consideration of mutual effect;

(2) Only these transactions as a whole can reach a complete commercial result;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction; and

(4) A single transaction is uneconomical but it is economical when considered together with other transactions.

When control over a former subsidiary is lost due to the disposal of part of equity investments or other reasons and it does not form a package transaction, relevant accounting treatments shall be distinguished between individual financial statements and consolidated financial statements as follows:

(1) In individual financial statements, for the disposed equity, the difference between the book value and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exercise common control or significant influence on the investee, it shall be changed to accounting by equity method, and the remaining equity shall be adjusted as if it had been accounted by equity method since the acquisition; if the remaining equity after disposal cannot exercise common control or significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of control shall be included in the current profit or loss.

(2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, the difference between the disposal price and the disposal long-term equity investments corresponding to the share of the subsidiary's net asset share calculated continuously from the acquisition date or the combination date shall be adjusted to the capital reserve (equity premium). If the capital reserve is insufficient to offset, the retained earnings shall be adjusted; when the right of control over the subsidiary is lost, the remaining equity shall be re-measured at its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, less the share of net assets of the original subsidiary calculated continuously from the acquisition date according to the original shareholding ratio, shall be included in the investment income of the current loss of control, and the goodwill shall be offset at the same time. Amount of the other comprehensive income relating to the equity investment of the original subsidiary will be transferred to the current investment income at the time of loss of control.

If the disposal of various transactions of equity investments in subsidiaries until the loss of control belongs to a package of transactions, each transaction shall be accounted for as a transaction of disposal of equity investments in subsidiaries and loss of control, and the relevant accounting treatment shall be carried out by distinguishing individual financial statements and consolidated financial statements:

(1) In individual financial statements, the difference between each disposal price before the loss of control and the book value of the long-term equity investments corresponding to the disposed equity is recognized as other comprehensive income, and is transferred to the profit or loss of the period when the loss of control occurs.

(2) In the consolidated financial statements, the difference between each disposal price and the share of net asset of the subsidiary corresponding to the disposal investment before the loss of control is recognized as other comprehensive income, and is transferred to the profit or loss of the current period of the loss of control when the loss of control occurs.

5. Judgment criteria for common control and significant influence

If the Company collectively controls an arrangement with other participants in accordance with the relevant agreement, and the decision on the activity that has a significant impact on the return of the arrangement only exists when it is unanimously agreed by the participants sharing the right of control, it is deemed that the Company and other participants are under common control of an arrangement, and the arrangement is a joint venture arrangement.

If the joint venture arrangement is reached through an individual entity, the Company shall be deemed to have the right to the net assets of the individual entity according to the relevant agreement, and the individual entity shall be regarded as a joint venture and the accounting by equity method shall be adopted. If it is judged that the Company does not have the right to the net assets of the individual entity according to the relevant agreement, the individual entity shall be regarded as the joint operations, and the Company shall recognize the items related to the share of interests in the joint operations and conduct accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises.

Significant influence refers to the power of the investor 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. The Company determines that it has a significant impact on the investee through one or more of the following circumstances, and after taking into account all facts and circumstances:

(1) Assign representatives in the Board of Directors or similar authorities of the investee;

(2) Participate in the formulation of financial and operating policies of the investee;

(3) Have important transactions with the investee;

(4) Dispatch management personnel to the investee;

(5) Provide key technical information to the investee.

(XV) Fixed assets

1. Determination conditions of fixed assets

Fixed assets refer to the tangible assets held for the purpose of producing commodities, providing services, renting or business management, and the service life exceeds one fiscal year. The fixed assets shall be recognized when all the following conditions are satisfied:

(1) It is probable that the economic benefits related to the fixed assets will flow to the Company;

(2) The cost of the fixed assets can be measured reliably.

2. *Initial measurement of fixed assets*

The Company's fixed assets are initially measured at cost. Including:

(1) The cost of externally purchased fixed assets includes the purchase price, import duties and other relevant taxes and surcharges, as well as other directly attributable expenses incurred to prepare the fixed assets for their intended use.

(2) The cost of a self-constructed fixed asset consists of necessary expenditures incurred before the asset reaches the working condition for its intended use.

(3) Fixed assets invested by investors are recorded at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, they are recorded at the fair value.

(4) If the payment for the purchase of fixed assets is delayed beyond the normal credit conditions and is of financing nature in essence, the cost of fixed assets shall be determined on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price shall be included in the current profit or loss within the credit period, except for those to be capitalized.

3. *Subsequent measurement and disposal of fixed assets*

(1) Depreciation of fixed assets

Depreciation of fixed assets is accrued over the estimated service life based on the book-entry value less the estimated net residual value. For fixed assets with provision for impairment, the depreciation amount shall be determined according to the book value after deducting the provision for impairment and the remaining useful life in the future period; no provision for depreciation is made for fixed assets that have been fully depreciated and remain in use.

The Company determines the service life and estimated net residual value of fixed assets according to the nature and use of fixed assets. At the end of the year, the Company shall review the service lives, estimated net residual value and depreciation method of the fixed assets, and make corresponding adjustments if there is any difference from the original estimates.

The depreciation methods, depreciation years and annual depreciation rate of fixed assets are as follows:

Type	**Depreciation method**	**Depreciation life (year)**	**Residual value rate** *(%)*	**Annual depreciation rate** *(%)*
Houses and buildings	Straight-line method	20	5	4.75
Machinery equipment	Straight-line method	10	5	9.50
Transportation equipment	Straight-line method	4-10	5	9.50-23.75
Electronic equipment	Straight-line method	3-5	5	19.00-31.66
Other equipment	Straight-line method	3-5	5	19.00-31.66

(2) Subsequent expenses of fixed assets

Subsequent expenditures related to fixed assets that meet the recognition criteria for fixed assets are included in the cost of fixed assets; if they do not meet the recognition criteria for fixed assets, they shall be included in the current profit or loss when occurred.

(3) Disposal of fixed assets

When fixed assets are disposed of or are expected to fail to generate economic benefits after the use or disposal, the fixed assets shall be derecognized. The difference of the revenue from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes should be included in the current profit or loss.

(XVI) Construction in progress

1. Category of construction in progress

The construction in progress self-built by the Company is measured at actual cost, which consists of necessary expenses incurred to construct the asset to reach its intended use, including the cost of materials used for the project, labor costs, relevant taxes paid, borrowing costs to be capitalized and indirect costs to be allocated.

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

The construction in progress is recorded as a fixed asset at the value of all expenditures incurred in constructing the asset until it reaches its intended state of use. If the construction in progress has reached the working condition for its intended use, but the final accounts for completion have not been handled, it shall be transferred to fixed assets at the estimated value according to the project budget, cost or actual cost of the project from the date when it reaches the working condition for its intended use, and the depreciation of fixed assets shall be accrued according to the Company's depreciation policy. After the final accounts for completion are handled, the original provisional estimated value shall be adjusted according to the actual cost, but the depreciation amount already accrued shall not be adjusted.

(XVII) Borrowing costs

1. Recognition principles for the capitalization of borrowing costs

If borrowing costs incurred by the Company can be directly attributed to the acquisition, construction or production of assets eligible for capitalization, they shall be capitalized and included in the related asset costs; other borrowing costs are recognized as expenses at the amount incurred and included in the profit or loss of the current period.

Assets eligible for capitalization refer to the fixed assets, investment properties, inventories and other assets that can reach the working conditions for their intended use or sales only after a long period of acquisition, construction or production activities.

The capitalization of borrowing costs shall commence when the following conditions are simultaneously met:

(1) Asset expenditures have occurred, including expenditures paid to acquire and construct or produce assets eligible for capitalization in forms of cash, transfer of non-cash assets or undertaking of debts bearing interest;

(2) The borrowing costs have been incurred;

(3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

2. Capitalization period of borrowing costs

Capitalization period refers to the period from the commencement of capitalization to the cessation of capitalization of borrowing costs, excluding the period of suspending capitalization of borrowing costs.

When the acquired and constructed or produced assets eligible for capitalization have reached the working conditions for their intended use or sale, the capitalization of borrowing costs shall be ceased.

When part of the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of the borrowing costs shall be ceased in terms of such part of assets.

Where all parts of the acquired and constructed or produced assets are completed separately, but the assets cannot be used or sold externally until the overall completion, the capitalization of borrowing costs of such assets shall be ceased upon the overall completion.

3. Period of suspension of capitalization

Where the acquisition and construction or production of assets eligible for capitalization are interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs shall be suspended; if the interruption is a necessary procedure for the acquired and constructed or produced assets eligible for capitalization to reach the working conditions for their intended use or sale, the borrowing costs shall continue to be capitalized. The borrowing costs occurred during the interruption period are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production activities of the assets restart.

4. Calculation method of capitalization amount of borrowing costs

The interest expenses of special borrowings (deducting the interest income obtained by depositing unused borrowing funds in the bank or the investment income obtained by making temporary investments) and its auxiliary expenses shall be capitalized before the assets purchased, constructed or produced that meet the capitalization conditions reach the expected usable or marketable state.

The amount of interest to be capitalized on general borrowings shall be calculated and determined by multiplying the weighted average of the asset expenditure of the accumulated asset expenditure in excess of the special borrowings by the capitalization rate of the general borrowings used. The capitalization rate is calculated and recognized as per the weighted average interest rate of general borrowing.

Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted by taking account of amortizable discount or premium amounts for the period at effective interest method.

(XVIII) Right-of-use assets

The Company shall make the initial measurement of the right-of-use assets according to the cost, which includes:

1) The initial measurement amount of the lease liabilities;

2) For lease payments paid on or before the lease commencement date, if there is a lease incentive, the amount related to the lease incentive already enjoyed shall be deducted;

3) Initial direct costs incurred by the Company;

4) The costs expected to be incurred by the Company for the purpose of dismantling and removing the leased assets, restoring the site where the leased asset is located or restoring the leased assets to the condition agreed in the lease term (excluding the costs incurred for the production of inventory).

After the lease commencement date, the Company shall use the cost model for subsequent measurement of the right-of-use assets.

If it can be reasonably determined that the ownership of leased assets will be obtained at the expiration of the lease term, the Company shall make provision for depreciation within the remaining useful life of the leased asset. If there is no reasonable assurance that the ownership of leased assets will be obtained at the end of the lease term, the Company shall make provision for depreciation over the shorter of the lease term or the remaining useful life of the leased asset. For the right-of-use assets with provision for impairment, the depreciation shall be made in the future according to the book value after deducting the provision for impairment with reference to the above principles.

(XIX) Intangible assets and development expenses

Intangible assets refer to the identifiable non-monetary assets without physical form owned or controlled by the Company, including software, land use rights, trademarks, patent rights, etc.

1. Initial measurement of intangible assets

The costs of an externally acquired intangible asset comprise its purchase price, relevant taxes and any other expenditure directly attributable to bringing the asset to its intended use. If the purchase price of an intangible asset is delayed beyond the normal credit conditions and is substantially in the nature of financing, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

For intangible assets obtained from debt restructuring, the book-entry value of such intangible assets shall be determined on the basis of the fair value of such intangible assets, and the difference between the book value of the restructured debt and the fair value of the intangible assets used to offset the debt shall be included in the current profit or loss.

Under the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets exchanged in or the assets exchanged out can be measured reliably, the book-entry value of the intangible assets exchanged in the exchange of non-monetary assets is determined on the basis of the fair value of the assets exchanged out, unless there is conclusive evidence that the fair value of the assets exchanged in is more reliable. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets surrendered and the relevant taxes payable shall be recognized as the cost of the intangible assets received, and no profit or loss will be recognized.

The book-entry value of intangible assets acquired through absorption and merger of enterprises under common control shall be determined according to the book value of the combined party; the book-entry value of intangible assets acquired by means of absorption and merger of enterprises not under common control shall be determined at fair value.

The cost of internally developed intangible assets includes: materials cost, labor cost, registration fee, amortization of other patent right and franchise used in the development process, interest expenses that meet the capitalization conditions, and other direct expenses incurred to make the intangible assets meet the intended use.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the service life of intangible assets when obtaining them, and divides them into intangible assets with finite service life and intangible assets with indefinite service life.

(1) Intangible assets with definite service lives

Intangible assets with limited service life shall be amortized at the straight-line method within the period when it can bring economic benefits to the enterprise; the estimated service life of intangible assets with definite service lives and the basis are as follows:

Item	**Estimated service life**	**Basis**
Software	5 years	Estimated service life
Land use rights	50 years	The term stipulated in the land use right certificate
Patent right	10-20 years	
Trademark	10 years	

At the end of each period, the service life and amortization method of the intangible assets with finite service life shall be reviewed. If there is any difference from the original estimate, corresponding adjustment shall be made.

After review, the service life and amortization method of the intangible assets at the end of the current period are not different from those previously estimated.

(2) Intangible assets with indefinite service life

If it is impossible to predict the period when the intangible assets can bring economic benefits to the enterprise, it shall be deemed as the intangible assets with indefinite service life.

For intangible assets with indefinite service life, they are not amortized during the holding period, and the service life of the intangible assets is reviewed at the end of each period. If it is still indefinite after the review at the end of the period, the impairment test shall be continued in each accounting period.

After review, the service life of such intangible assets is still indefinite.

3. Specific criteria for dividing the research stage and development stage of internal research and development project

Research stage: the stage when creative and planned investigations and research activities are carried out to acquire and understand new scientific or technological knowledge.

Development stage: a stage in which research results or other knowledge are applied to a plan or design for obtaining new or substantially improved materials, apparatuses and products prior to commercial manufacture or use.

Expenditures in the research stage of internal research and development project shall be included in the current profit or loss when incurred.

4. Specific criteria for development expenditures eligible for capitalization

Expenditures in the development stage of an internal research and development project shall be recognized as intangible assets when all the following conditions are met:

(1) It is technically feasible to complete the intangible assets so that it can be used or sold;

(2) It is intended to finish and use or sell the intangible assets;

(3) The usefulness of methods for 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;

(4) With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible assets, and it is able to use or sell the intangible assets; and

(5) Expenditures attributable to the development stage of the intangible assets can be measured reliably.

Expenditures in the development stage that do not meet the above conditions are included in the current profit or loss when incurred. Development expenses that have been included in the profit or loss in previous periods will not be recognized as assets in subsequent periods. Expenditures in the development phase that have been capitalized are listed as development expenses on the balance sheet and are transferred to intangible assets from the date when the project reaches its intended use.

(XX) Impairment of long-term assets

The Company determines whether there is any indication that the long-term assets may be impaired on the balance sheet date. If there are indications of impairment in the long-term assets, the recoverable amount shall be estimated on an individual asset basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs.

The recoverable amount of the asset is the higher of its fair value less disposal cost or the present value of the estimated future cash flows of the asset.

According to the measurement results of the recoverable amount, if the recoverable amount of the long-term assets is lower than its book value, the book value of the long-term assets shall be written down to the recoverable amount, and the amount written down shall be recognized as the asset impairment loss and included in the current profit or loss, and the corresponding provision for asset impairment shall be made at the same time. Once the asset impairment loss is recognized, it shall not be reversed in subsequent accounting periods.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in future periods so that the adjusted asset book value (net of estimated net residual value) is systematically amortized over the remaining useful life.

Impairment tests for goodwill and intangible assets with indefinite service life arising from business combination shall be conducted every year regardless of whether there are indications of impairment.

In the impairment test of goodwill, the book value of goodwill is allocated to the asset group or asset group portfolio that are expected to benefit from the synergistic effect of business combination. When an impairment test is performed on the relevant asset group or portfolio of asset groups containing goodwill, if there is any indication that the asset group or portfolio of asset groups related to the goodwill may be impaired, the asset group or portfolio of asset groups excluding goodwill shall be tested for impairment first, and the recoverable amount shall be calculated, and compared with the relevant book value to recognize the corresponding impairment loss. Then an impairment test shall be performed on the asset group or portfolio of asset groups containing goodwill and compare the book value of these relevant asset group or portfolio of asset groups (including the book value of the goodwill apportioned) with their recoverable amount. If the recoverable amount of the relevant asset group or portfolio of asset groups is lower than their book value, the impairment loss of goodwill will be recognized.

(XXI) Long-term deferred expenses

1. Amortization method

Long-term deferred expenses refer to various expenses that have been incurred by the Company but should be borne by the current period and subsequent periods with an amortization period of more than one year. Long-term deferred expenses are amortized by stages over the benefit period using the straight-line method.

2. Amortization period

Type	Amortization period	Remark
Decoration expenses of leased fixed assets	5 years	Amortization over estimated useful life

(XXII) Contract liabilities

The Company recognizes the obligation to transfer goods to customers for consideration received or receivable from customers as contract liabilities.

(XXIII) Employee compensation

Employee compensation refers to multiform remuneration or compensation offered of the Company in order to get services provided by its employees or sever the labor relation. Employee compensation includes short-term compensation, post-employment benefit, dismissal benefits and other long-term employee benefits.

1. Short-term compensation

Short-term compensation refers to the employee compensation, except post-employment benefit and dismissal benefits, which are required to be paid in full by the Company within 12 months after the end of the annual reporting period in which the employee provides the relevant services. The Company recognizes the short-term compensation payable as a liability during the accounting period in which the employee provides the service, and includes it in the related asset costs and expenses according to the beneficiary of the service provided by the employee.

2. Post-employment benefits

Post-employment benefit refers to various forms of remuneration and benefits, excluding short-term compensation and dismissal benefits, provided by the Company to obtain services provided by employees after their retirement or termination of labor relations with the Company.

The Company's post-employment benefits include defined contribution plans and defined benefit plans.

The defined contribution plans of post-employment benefit mainly include the basic social endowment insurance and unemployment insurance organized and implemented by local labor and social security institutions.

The defined benefit plans for post-employment benefits mainly include the non-plan benefits paid to retirees according to clear standards, living expenses paid to the surviving families of deceased employees, etc. Obligations under the defined benefit plans shall be actuarially calculated by an independent finance department using the expected cumulative benefit unit method on the balance sheet date. The benefit obligations arising from the defined benefit plans are attributable to the period when employees provide services and are included in the current profit or loss or related asset costs. Among them: unless other accounting standards require or allow employee benefits to be included in the cost of assets, the service costs of the defined benefit plans and the net interest on net liabilities or net assets under the defined benefit plans are included in the current profit or loss when they occur; changes arising from the re-measurement of net liabilities or net assets of defined benefit plans are included in other comprehensive income in the current period, and are not allowed to be reversed to the profit or loss in subsequent accounting periods.

3. Dismissal benefits

Dismissal benefits refer to the compensation given by the Company to employees for terminating the labor relationship with employees before the expiration of the labor contract, or for encouraging employees to voluntarily accept the reduction. The liability arising from the compensation for terminating the labor relationship with employees is recognized and included in the current profit or loss on the earlier of the date when the Company cannot unilaterally withdraw the plan for terminating the labor relationship or the date when the proposal for reduction is confirmed and the costs related to the restructuring involving the payment of dismissal benefits are recognized.

4. Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits other than short-term compensation, post-employment benefit and dismissal benefits.

For other long-term employee benefits that meet the conditions of defined contribution plans, the amount payable shall be recognized as a liability and included in the current profit or loss or related asset costs during the accounting period when the employee provides services for the Company; for other long-term employee benefits other than the above circumstances, on the balance sheet date, the financial department shall use the expected cumulative benefit unit method for actuarial calculation, and attribute the benefit obligations arising from the defined benefit plans to the period when the employees provide services, and include them in the current profit or loss or related asset costs.

(XXIV) Lease liabilities

The Company makes the initial measurement of the lease liabilities according to the present value of the lease payments that have not been paid on the lease commencement date. In calculating the present value of the lease payments, the Company uses the interest rate implicit in lease as the discount rate; if the interest rate implicit in lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate. The lease payments include:

1) Fixed payments and substantial fixed payments after deducting the amount related to lease incentive;

2) Variable lease payments depending on an index or ratio;

3) The lease payments include the exercise price of the purchase option if the Company reasonably determines that the option will be exercised;

4) In the case where the lease term reflects that the Company will exercise the lease termination option, the lease payments include the amount to be paid for exercising the lease termination option;

5) The amount expected to be paid according to the guaranteed residual value provided by the Company.

The Company calculates the interest expenses of lease liabilities in each lease term based on a fixed discount rate, and includes such expenses into the current profit or loss or the related asset costs.

Variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or related asset costs when actually incurred.

(XXV) Share-based payments

1. Types of share-based payments

The Company's share-based payments consist of equity-settled share-based payments and cash-settled share-based payments.

2. Determination method of fair value of equity instruments

For equity instruments such as options granted in an active market, the fair value thereof shall be determined according to the quoted price in the active market. For equity instruments such as options granted without an active market, the fair value is determined using an option pricing model, which takes into account the following factors: (1) the exercise price of the option; (2) the validity period of the option; (3) the current price of the underlying shares; (4) the expected volatility of share price; (5) the estimated dividends on shares; (6) the risk-free interest rate over the valid term of the option.

When determining the fair value of equity instruments on the grant date, the impact of market conditions and non-exercisable conditions in the exercisable conditions specified in the share-based payments agreement is considered. If there is a non-exercisable condition in the share-based payments, as long as the employee or other parties meet all the non-market conditions among the exercisable conditions (such as service period, etc.), the cost corresponding to the service shall be recognized.

3. Basis for determining the best estimate of exercisable equity instruments

On each balance sheet date during the waiting period, the Company makes the best estimate based on the latest subsequent information such as the change in the number of employees with exercisable rights, and corrects the expected number of equity instruments with exercisable rights. On the vesting date, the final estimated number of exercisable equity instrument is consistent with the actual number of exercisable equity instrument.

4. Accounting treatment

Equity-settled share-based payments are measured at fair value of the equity instruments granted to employees. If the right is exercised immediately after the grant, it shall be included in the relevant costs or expenses based on the fair value of the equity instruments on the grant date, and the capital reserve shall be increased accordingly. If the right can only be exercised after completing the service within the waiting period or meeting the specified performance conditions, on each balance sheet day within the waiting period, based on the best estimate of the number of exercisable equity instruments, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserve according to the fair value on the grant date of equity instruments. No adjustment shall be made to the recognized relevant costs or expenses and the total owners' equity after the vesting date.

Cash-settled share-based payments are measured at fair value of liabilities calculated and determined on the basis of shares or other equity instruments assumed by the Company. If the right is exercisable immediately after the grant, the fair value of the Company's assumption of the liability shall be included in the relevant costs or expenses on the grant date, and the liability shall be increased accordingly. For cash-settled share-based payments that are exercisable only after completing the service within the waiting period or meeting the specified performance conditions, on each balance sheet date during the waiting period, based on the best estimate of the exercisable rights, the services obtained in the current period shall be included in costs or expenses and corresponding liabilities according to the fair value amount of the liabilities assumed by the Company. The Group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profit or loss.

If the granted equity instruments are canceled during the waiting period, the Company shall treat the cancellation of the granted equity instruments as accelerated exercise, and immediately include the amount to be recognized during the remaining waiting period into the current profit or loss, and recognize the capital reserve at the same time. If the employee or other party can choose to meet the non-exercisable condition but fails to meet the condition within the waiting period, the Company will treat it as the cancellation of the granted equity instruments.

(XXVI) Preferred shares, perpetual bonds and other financial instruments

In accordance with the provisions of the financial instrument standards, the Company classifies the financial instruments or its components as financial liabilities or equity instruments at initial recognition based on the contract terms of the financial instruments such as preferred shares and perpetual bonds issued and the economic substance reflected therein, rather than in a legal form, in combination with the definitions of financial liabilities and equity instruments:

1. If one of the following conditions is met, the issued financial instruments shall be classified as financial liabilities

(1) Contractual obligations to deliver cash or other financial assets to other parties;

(2) Under potentially adverse conditions, exchange financial assets or financial liabilities with other parties;

(3) A non-derivative instrument contract that must be settled or can be settled with the enterprise's self-owned equity instruments in the future, and the enterprise will deliver a variable number of self-owned equity instruments under the contract;

(4) Derivative instrument contracts that must be settled or can be settled with the enterprise's self-owned equity instruments in the future, except for derivative instrument contracts in which a fixed number of self-owned equity instruments are exchanged for a fixed amount of cash or other financial assets.

2. If the following conditions are met at the same time, the issued financial instruments shall be classified as equity instruments

(1) The financial instruments do not include the contractual obligations to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions;

(2) If the financial instruments shall or can be settled with the enterprise's self-owned equity instruments in the future, and the financial instruments are non-derivative instruments, it does not include the contractual obligation to deliver a variable quantity of self-owned equity instruments for settlement; in the case of derivative instruments, the enterprise can only settle the financial instruments by exchanging a fixed amount of self-owned equity instruments for a fixed amount of cash or other financial assets.

3. Accounting treatment

For financial instruments classified as equity instruments, their interest expenses or dividend distributions are treated as the Company's profit distribution, their repurchase and cancellation are treated as changes in equity, and transaction costs such as handling fees and commissions are deducted from equity.

For financial instruments classified as financial liabilities, their interest expenses or dividend distribution shall be treated in accordance with borrowing costs in principle, and their gains or losses arising from repurchase or redemption shall be included in the current profit or loss, and the transaction costs such as handling fee and commission shall be included in the initial measurement amount of the issued instruments.

(XXVII) Revenue

The Company's revenue mainly comes from the following business types:

Sales of auto parts and components.

1. General principles of revenue recognition

The Company recognizes revenue when it has fulfilled its performance obligations in the contract, i.e., when the customer obtains control of the related goods or services, by allocating the transaction prices to the performance obligations.

Performance obligation refers to the commitment in the contract that the Company transfers clearly distinguishable goods or services to the customer.

Obtaining the right of control of the relevant goods means being able to dominate the use of the goods and obtain almost all economic benefits therefrom.

The Company evaluates the contract on the contract commencement date, identifies each single performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period or at a certain time point. If one of the following conditions is met, it is the performance obligation to be fulfilled within a certain period of time, and the Company recognizes the revenue within a certain period of time according to the performance progress: (1) the customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the Company performs the contract; (2) The customer can control the goods under construction during the performance of the Company; (3) The goods produced during the performance of the Company have irreplaceable uses, and the Company has the right to collect payment for the accumulated part that has been completed so far during the entire contract period. Otherwise, the Company will recognize revenue at the time when the customer obtains the right of control of the relevant goods or services.

For performance obligation performed within a certain period of time, the Company shall determine the appropriate performance progress by input method according to the nature of goods and labor service. The input method is to determine the performance progress based on the company's input to fulfill the performance obligation. When the performance progress cannot be reasonably determined, if the Company's incurred costs are expected to be compensated, the Company will recognize revenue according to the amount of the incurred costs until the performance progress can be reasonably determined.

2. Specific methods of revenue recognition

The Company mainly sells auto parts and components such as sensors and accessories, fuel system accessories and auto interior trim parts. According to the terms of the sales contract signed between the Company and the customer, the realization of sales revenue is recognized when the customer obtains the relevant goods or service control, as follows:

Export business:

(1) Export sales under FOB trade mode

The time of revenue recognition is the point when the customs clearance and export procedures are completed and the goods are delivered to and loaded by the carrier at the named port of shipment. The special export invoice is issued and the revenue is recognized according to the contract, the export declaration form and other information.

(2) Export sales under FCA trade mode

If the customer designates or entrusts the freight forwarder to pick up the goods directly at the factory, the customer designates or entrusts the freight forwarder to complete the customs declaration and export procedures as the revenue recognition time. According to the export declaration form and other materials, the special export invoice shall be issued and the revenue shall be confirmed.

(3) Export under the DDP trade model where the customer is an enterprise in a Chinese free trade zone or bonded area

For the export business of enterprises in Chinese free trade zone or bonded area that deliver goods the customer's destination, the time of revenue recognition is the time after the customer has accepted the goods and the customs declaration formalities has been completed. The revenue is confirmed according to the delivery note, export declaration form and special export invoice confirmed by the customer.

Domestic sales business:

(1) If the customer is responsible for picking up the product, after the product is shipped and the customer or the freight driver entrusted by the customer accepts the product, the Company will issue a sales invoice and confirm the sales revenue based on the signed and approved delivery note;

(2) If the Company is responsible for delivering the product, after the product is delivered to the customer and the customer has inspected and accepted it, the Company will issue a sales invoice and confirm the sales revenue based on the warehouse entry note, receipt or invoicing notice confirmed by the customer;

(3) If the full-month settlement method is adopted, that is, according to the supply contract signed between the Company and the customer, the customer usually issues an invoice notice to the Company at the beginning of the next month for the products used and accepted in the current month, and makes payment and settlement within the credit period given by the Company. The Company issues an invoice and confirms the revenue in the month when it receives the customer's invoicing notice according to the quantity and amount confirmed by the parties.

3. Principles for revenue treatment of specific transactions

(1) Contracts with condition of sales return

When the customer obtains the relevant the right of control over goods, the revenue is recognized at the amount of the consideration expected to be entitled to receive due to the transfer of goods to the customer (i.e., excluding the amount expected to be refunded due to the return of sales), and the liabilities are recognized at the amount expected to be returned due to the return of sale.

The balance of the book value of the goods expected to be returned when selling the goods after deducting the expected cost (including the impairment of the value of the returned goods) for the recovery of the goods shall be accounted for under the item of "cost for returned goods receivable".

(2) Contracts with quality assurance clauses

Evaluate whether the quality assurance provides a separate service from assuring the customer that the goods sold meet established standard. If the Company provides additional services, such services shall be accounted for as individual performance obligations in accordance with the revenue standards; otherwise, the quality assurance responsibility shall be subject to accounting treatment in accordance with the provisions of the accounting standards for contingency.

(3) Sales contract with customer's additional purchase option

The Company assesses whether the option provides a significant right to the customer. Where significant rights are provided, the transaction prices shall be amortized to the performance obligation as an individual performance obligation, and the corresponding revenue shall be recognized when the customer exercises the purchase option and obtains the relevant the right of control over goods in the future, or when the option is expired. If the separate selling price of the customer's additional purchase option cannot be directly observed, a reasonable estimate shall be made after comprehensively considering the difference between the discount that the customer can obtain by exercising or not exercising the option, the possibility of the customer exercising the option and all other relevant information.

(4) After-sales repurchase

1) Contracts with repurchase obligations due to forward arrangements with customers: in this case, the customer does not obtain the right of control of the relevant goods at the time of sale, so it is accounted for as a lease transaction or financing transaction. Where the repurchase price is lower than the original selling price, it shall be deemed as lease transactions and carried out in accordance with the relevant provisions of the Accounting Standards for Business Enterprises on lease; if the repurchase price is not lower than the original selling price, it shall be regarded as a financing transaction, and the financial liabilities shall be recognized when the customer's payment is received, and the difference between the payment and the repurchase price shall be recognized as interest expenses, etc. during the repurchase period. If the Company fails to exercise the repurchase right upon expiration, the financial liabilities shall be derecognized when the repurchase right expires, and the revenue shall be recognized at the same time.

2) Contracts for repurchase obligations arising at the request of customers: if the customer is assessed to have significant economic motives, the after-sales repurchase shall be regarded as lease transactions or financing transactions and subject to accounting treatment in accordance with the 1) provisions of this article; otherwise, it will be treated as sales transactions with conditions of sales return.

(XXVIII) Contract expenses

1. Contract performance cost

The Company recognizes the cost incurred for the performance of the contract as an asset at contract performance cost if it does not fall within the scope of other Accounting Standards for Business Enterprises except the revenue standard and meets the following conditions at the same time:

(1) The cost is directly related to a contract currently or expected to be obtained, including direct labor, direct materials, manufacturing overhead (or similar expenses), costs expressly borne by the customer, and other costs incurred solely as a result of the contract.

(2) The cost increases the resources available to the enterprise to fulfill its performance obligations in the future.

(3) The cost is expected to be recovered.

The assets shall be presented in the inventories or other non-current assets according to whether the amortization period exceeds one normal operating cycle at the time of initial recognition.

2. Cost of contract acquisition

The incremental costs incurred by the Company to obtain the contract are expected to be recovered and are recognized as an asset as the contract acquisition cost. Incremental costs are costs that would not have been incurred by the Company if the contract had not been obtained, such as sales commissions. If the amortization period is less than one year, it shall be included in the current profit or loss when it occurs.

3. Amortization of contract expense

The above-mentioned assets related to contract expenses are amortized at the time of fulfilling the performance obligations or in accordance with the progress of fulfilling the performance obligations, and included in the current profit or loss on the same basis as the revenue recognition of the goods or services related to the assets.

4. Amortization of contract expense

For the above-mentioned assets related to contract expense, if the book value is higher than the difference between the remaining consideration expected to be obtained by the Company due to the transfer of the goods related to the asset and the estimated cost to be incurred for the transfer of the relevant goods, the excess shall be made provision for impairment and recognized as asset impairment loss.

After the provision for impairment is made, if the factors of impairment in the previous period change, making the above two differences higher than the book value of the asset, the provision for asset impairment that has been made shall be reversed and included in the current profit or loss, but the book value of the asset after the reversal shall not exceed the book value of the asset on the reversal date under the assumption that no provision for impairment is made.

(XXIX) Government subsidies

1. Types of government subsidies

Government subsidies are monetary and non-monetary assets obtained by the Company from the government for free. Government subsidies are divided into government subsidies related to assets and government subsidies related to income according to the subsidy objects stipulated in relevant government documents.

Government subsidies related to assets are government subsidies that the Company acquires for acquisition, construction, or otherwise forms long-term assets. Government subsidies related to revenue refer to government subsidies other than government subsidies related to assets. Government subsidies related to income refer to those other than government subsidies related to assets.

2. Confirmation of government subsidies

If there is evidence at the end of the period that the Company can meet the relevant conditions stipulated in the financial support policy and is expected to receive the financial support funds, the government subsidies shall be recognized according to the amount receivable. In addition, all government subsidies shall be recognized when actually received.

Government grants considered as monetary assets are measured at the amount received or receivable. Government subsidies considered as non-monetary assets are measured at fair value; if the fair value cannot be obtained reliably, it shall be measured at a nominal amount (RMB1). Government grants measured at the nominal amount are directly included in current profit or loss.

3. Accounting treatment

The Company determines whether a certain type of government subsidies business should be accounted for using the gross amount method or the net amount method based on the substance of the economic business. Under normal circumstances, the Company only selects one method for the same or similar government subsidies business, and consistently applies the method to the business.

Item	**Accounting content**
Category of policy subsidies accounted for by the total method	All government subsidies except loan discounts
Categories of policy subsidies accounted for by net method	Loan interest discount

Government subsidies related to assets shall be used to offset the book value of the relevant assets or recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they shall be included in the profit or loss by stages in a reasonable and systematic way within the service life of the assets constructed or purchased.

Government subsidies related to income used to compensate the relevant expenses or losses of the enterprise in future periods are recognized as deferred income, and are included in the current profit or loss or offset the relevant costs in the period when the relevant expenses or losses are recognized; if they are used to compensate the relevant expenses or losses incurred by the enterprise, it shall be directly included in the current profit or loss or used to offset the relevant costs when obtained.

Government subsidies related to the daily activities of the enterprise are included in other income or used to offset related costs; government subsidies unrelated to the daily activities of the enterprise are included in non-operating revenue and expenditure.

Relevant borrowing costs offset by government subsidies related to policy-based preferential loan interest discounts; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the actually received loan amount shall be taken as the book-entry value of the loan, and the relevant borrowing costs shall be calculated according to the loan principal and the policy-based preferential interest rate.

When the recognized government subsidies need to be returned, the book value of the assets shall be adjusted if the book value of the relevant assets is offset at the time of initial recognition; if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess shall be included in the current profit or loss; if there is no relevant deferred income, it shall be directly included in the current profit or loss.

(XXX) Deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities are calculated and recognized based on the difference (temporary differences) between the tax basis of assets and liabilities and their book value. On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are expected to be settled.

1. Basis for recognizing deferred tax assets

The Company recognizes deferred tax assets arising from deductible temporary differences to the extent of the taxable income that is likely to be obtained to offset the deductible temporary differences, the deductible loss that can be carried forward to future years and the tax deduction. However, deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) the transaction is not a business combination; (2) The transaction does not affect the accounting profit, taxable income or deductible loss when it occurs.

For deductible temporary differences related to investment in associates, the corresponding deferred tax assets shall be recognized if the following conditions are met at the same time: the temporary difference is likely to be reversed in the foreseeable future, and the taxable income used to offset the deductible temporary differences is likely to be obtained in the future.

2. Basis for recognizing deferred tax liabilities

The Company recognizes the taxable temporary differences payable but not paid in the current period and previous periods as deferred tax liabilities. But excluding:

(1) Temporary differences arising from the initial recognition of goodwill;

(2) Temporary differences arising from transactions or events not formed through business combinations, and which neither affect accounting profits nor taxable income (or deductible losses) at the time of occurrence;

(3) For taxable temporary differences related to investments in subsidiaries and associates, the timing of the reversal of the temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

3. Deferred tax assets and deferred tax liabilities are presented at the net amount after offset when the following conditions are met at the same time

(1) The Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis;

(2) Where deferred tax assets and deferred tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or on different taxpayers, but, in each important future period in connection with the reversal of deferred tax assets and liabilities, the involved taxpayer intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred tax assets and deferred tax liabilities shall be presented based on the net amount after offset.

(XXXI) Lease

On the contract commencement date, the Company evaluates whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if one party transfers the right to control the use of one or more identified assets for a certain period in exchange for consideration.

1. Split-off of lease contract

When the contract contains multiple individual leases at the same time, the Company will split the contract and conduct accounting treatment for each individual lease separately.

When the contract contains both leased and non-leased parts, the Company will split the leased and non-leased parts, the leased part will be accounted for in accordance with the lease standards, and the non-leased part shall be accounted for in accordance with other applicable Accounting Standards for Business Enterprises.

2. Consolidation of lease contract

Two or more contracts involving leases entered into by the Company with the same counterparty or its related party at the same time or at a similar time shall be consolidated into one contract for accounting treatment when one of the following conditions is met:

(1) The two or more contracts are entered into for the overall commercial purpose and constitute a package of transactions, the overall commercial purpose of which cannot be understood without taking them as a whole.

(2) The amount of consideration for one of the two or more contracts is dependent on the pricing or performance of the other contracts.

(3) The right to use the assets transferred by the two or more contracts together constitute a separate lease.

3. Accounting treatment of the Company as a lessee

On the lease commencement date, except for short-term lease and leases of low value assets that apply simplified treatment, the Company recognizes right-of-use assets and lease liabilities for leases.

(1) Short-term lease and leases of low value assets

A short-term lease is a lease that does not include a purchase option and the lease term does not exceed 12 months. Leases of low value assets refer to leases with a lower value when the individual leased asset is a brand new asset.

The Company does not recognize right-of-use assets and lease liabilities for short-term lease and leases of low value assets, and the relevant lease payments are included in the relevant asset costs or current profit or loss in each period of the lease term according to the straight-line method or other systematic and reasonable methods.

(2) See Note II. (XVIII) Right-of-use assets and Note II. (XXIV) Lease liabilities for the accounting policies of right-of-use assets and lease liabilities.

4. Accounting treatment of the Company as a lessor

(1) Classification of leases

The Company divides leases into financing lease and operating lease on the lease commencement date. A financing lease is a lease that transfers substantially all the risks and rewards associated with the ownership of leased assets, and its ownership may or may not be transferred. Operating lease refers to the leases other than financing lease.

A lease is usually classified as a financing lease by the Company if one or more of the following circumstances exist:

1) At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee.

2) The lessee has the option to purchase the leased asset, and the purchase price is low enough compared with the fair value of the leased asset at the expected exercise of the option, so that it can be reasonably determined that the lessee will exercise the option on the lease commencement date.

3) Although the ownership of the asset is not transferred, the lease term accounts for the majority of the service life of the leased asset.

4) On the lease commencement date, the present value of the lease receipt is almost equal to the fair value of the leased asset.

5) The leased asset is of a special nature and can only be used by the lessee without major modification.

A lease may also be classified as a financing lease by the Company if one or more of the following signs exist:

1) If the lessee cancels the lease, the lessee shall bear the loss caused to the lessor by the cancellation of the lease.

2) Gains or losses arising from the fair value fluctuation of the residual value of the asset are attributable to the lessee.

3) The lessee has the ability to continue the lease for the next period at a rent far below the market level.

(2) Accounting treatment of financing lease

On the lease commencement date, the Company recognizes the financing lease receivable for the financing lease and derecognizes the financing lease asset.

At the initial measurement of the financing lease receivable, the sum of the unguaranteed residual value and the present value of the lease receipt not received on the lease commencement date discounted at the interest rate implicit in lease is taken as the book-entry value of the financing lease receivable. Lease receipt includes:

1) Fixed payments and substantial fixed payments after deducting the amount related to lease incentive;

2) Variable lease payments depending on an index or ratio;

3) Under the circumstance that it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;

4) The lease term reflects that the lessee will exercise the lease termination option, and the lease receipt includes the amount to be paid by the lessee for exercising the lease termination option;

5) Guaranteed residual value provided by the lessee, a party related to the lessee, and an independent third party with the financial ability to perform the guarantee obligation to the lessor.

The Company calculates and recognizes the interest income for each period within the lease term according to the fixed interest rate implicit in lease, and the variable lease payments obtained that are not included in the measurement of net lease investment are included in the current profit or loss when actually incurred.

(3) Accounting treatment of operating leases

The Company recognizes the lease receipt of operating leases as rental revenue by using the straight-line method or other systematic and reasonable methods in each period of the lease term; the initial direct costs related to operating leases are amortized on the same basis as the recognition of rental revenue during the lease term and included in the current profit or loss by stages; the variable lease payments related to operating leases that are not included in the lease receipt shall be included in the current profit or loss when they actually occur.

5. Sale and leaseback

If the transfer of assets in the sale-leaseback transaction is a sale, the Company measures the right-of-use assets arising from the sale-leaseback at the portion of the original asset book value related to the right-of-use obtained from the leaseback, and recognizes the relevant gains or losses only in respect of the right transferred to the lessor. If the fair value of the sales consideration differs from the fair value of the asset, or the lessor does not charge rent at the market price, the Company accounts for the amount of the sales consideration below the market price as prepaid rent and the amount above the market price as additional financing provided by the lessor to the lessee. at the same time, the relevant sales gains or losses are adjusted according to the fair value.

If the transfer of assets in the sale-leaseback transaction is not a sale, the Company continues to recognize the transferred assets and recognizes a financial liability equal to the revenue transferred.

If the transfer of assets in the sale-leaseback transaction is a sale, the Company shall conduct corresponding accounting treatment according to the asset purchase, and conduct accounting treatment for the asset lease according to the lease standards. If the fair value of the sales consideration differs from the fair value of the asset or the Company does not charge rent at the market price, the Company accounts for the amount of the sales consideration below the market price as rent received in advance and the amount above the market price as additional financing provided by the Company to the lessee; at the same time, the rental revenue shall be adjusted according to the market price.

If the transfer of assets in the sale-leaseback transaction is not a sale, the Company recognizes a financial asset equal to the revenue of the transfer.

(XXXII) Discontinued operations

The Company recognizes the components that have been disposed of or classified as held for sale and can be distinguished separately in the operation and preparation of financial statements as the components of discontinued operations meeting one of the following conditions:

1. The component represents an independent major business or a major operating area.

2. The component is a part of the proposed disposal plan for an independent major business or a major business area.

3. The component is a subsidiary acquired solely for the purpose of resale.

(XXXIII) Changes in significant accounting policies and accounting estimates

1. Changes in accounting policies

(1) Impact of the implementation of the Interpretation No. 15 of the Accounting Standards for Business Enterprises on the Company

On December 31, 2021, the Ministry of Finance issued the Interpretation No. 15 of the Accounting Standards for Business Enterprises (CK [2021] No. 35, hereinafter referred to as "Interpretation No. 15"). The provisions of Interpretation 15 on "accounting treatment for enterprises' external sales of products or by-products generated before fixed assets reach the intended usable state or during the R&D process" (hereinafter referred to as "trial operation sales") and "judgment on onerous contracts" shall come into force as of January 1, 2022.

The Company's implementation of the Interpretation No. 15 has no material impact on the financial statements during the reporting period.

(2) Impact of the implementation of the Interpretation No. 16 of the Accounting Standards for Business Enterprises on the Company

On December 13, 2022, the Ministry of Finance issued the Interpretation No. 16 of the Accounting Standards for Business Enterprises (CK [2022] No. 31, hereinafter referred to as "Interpretation No. 16"). In the accounting treatment of the three matters in Interpretation No. 16, "the accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction that is not applicable to the initial recognition exemption" shall come into force as of January 1, 2023, and enterprises are allowed to implement it in advance from the year of issuance. The Company has not implemented the accounting treatment related to this matter in advance this year; the contents of "Accounting treatment of the income tax effect of dividends related to financial instruments classified as equity instruments by the issuer" and "Accounting treatment of the modification of cash-settled share-based payments to equity-settled share-based payments by the enterprise" shall come into force as of the date of promulgation.

The Company's implementation of the Interpretation No. 16 has no material impact on the financial statements during the reporting period.

2. Changes in accounting estimates

There was no change in the main accounting estimate during the reporting period.

IV. TAXATION

(I) Main tax type and tax rate of the Company

Tax type	Tax basis/revenue type	Tax rate	Remark
Value added tax (VAT)	Domestic sales; provision of processing, repair and maintenance labor service; and imported goods, etc.; provision of tangible movable property leasing services	13%	
	Provision of construction and real estate leasing services, sales of real estate and transfer of land use right	9%	
	Other taxable sales services	6%	
	Sales of export goods other than oil and gas; cross-border taxable sales and services	0%	
Urban maintenance and construction tax	Turnover tax payable	7%, 5%	
Enterprise income tax	Taxable income	15%, etc.	
Property taxes	70% of the original value of the property (or rental revenue) is used as the tax base	1.2% (12%)	

Description of income tax rate of different taxpayers:

Name of taxpayer	Income tax rate
The Company	15%
Olive (Europe) Holdings S.à r.l.	15%
Yantai Olive Pipeline Co., Ltd.	25%
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	25%
Wuhan Olive Auto Parts Co., Ltd.	25%
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	25%
Jiangsu Ruishi Sensing Technology Co., Ltd.	25%
Kunshan Olive Auto Parts Co., Ltd.	25%

(II) Preferential tax policies and basis

On December 2, 2020, Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration recognized the Company as a high-tech enterprise and issued a high-tech enterprise certificate (certificate No.: GR202032003930), which entitled the Company to a preferential corporate income tax rate of 15% (2020-2022).

V. NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, the following amounts are expressed in RMB, the end of the period refers to December 31, 2022, and the beginning of the period refers to January 1, 2022)

Note 1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	391,580.16	294,659.04
Bank deposit	168,206,883.89	275,874,715.98
Other monetary funds	3,803,152.00	22,523,325.81
Total	172,401,616.05	298,692,700.83
Including: total amount deposited abroad	3,948,410.20	111,529.20

The details of the restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Bank acceptance bill margin	3,797,551.48	16,753,227.71
L/C guarantee deposit		5,700,000.00
Migrant workers' wage guarantee deposits		67,880.43
Total	3,797,551.48	22,521,108.14

As of December 31, 2022, the Company issued a bank acceptance bill of RMB10,850,128.80 with bank deposit of RMB3,797,551.48 as pledge.

Note 2. Financial assets held for trading

Item	Ending balance	Beginning balance
Subtotal of financial assets classified as measured at fair value through current profit or loss	946,420,161.11	617,003,659.67
Investments in debt instruments	250,000,000.00	557,000,000.00
Investments in equity instruments		60,003,659.67
Others	696,420,161.11	
Subtotal of financial assets designated to be measured at fair value through current profit or loss	–	–
Total	946,420,161.11	617,003,659.67

Note 3. Notes receivable

1. Classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	108,677,013.54	105,298,625.51
Total	108,677,013.54	105,298,625.51

As at December 31, 2022, the Company believes that there is no significant credit risk in the notes receivable held and no significant loss will be incurred due to the default of banks or other drawers.

2. Provision for bad debts of notes receivable presented by category

	Ending balance				
	Book balance		Provision for bad debts		
Type	**Amount**	**Ratio** *(%)*	**Amount**	**Provision ratio** *(%)*	**Book value**
Notes receivable with provision for bad debts accrued on a portfolio basis	108,677,013.54	100.00			108,677,013.54
Including: portfolio of bank acceptance bills	108,677,013.54	100.00			108,677,013.54
Total	108,677,013.54	100.00			108,677,013.54

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	**Amount**	**Ratio** *(%)*	**Amount**	**Provision ratio** *(%)*	**Book value**
Notes receivable with provision for bad debts accrued on a portfolio basis	105,298,625.51	100.00			105,298,625.51
Including: portfolio of bank acceptance bills	105,298,625.51	100.00			105,298,625.51
Total	105,298,625.51	100.00			105,298,625.51

3. Notes receivable with provision for bad debts made on a portfolio basis

	Ending balance		
Entity name	**Book balance**	**Provision for bad debts**	**Provision ratio** *(%)*
Portfolio of bank acceptance bills	108,677,013.54		
Total	108,677,013.54		

4. No notes receivable actually written off during the reporting period

5. Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date

Item	**Amount derecognized at the end of the period**	**Amount not derecognized at the end of the period**
Bank acceptance bills	52,120,492.36	
Total	52,120,492.36	

Note 4. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Ending balance	Beginning balance
Within 1 year	303,294,487.76	298,464,750.70
1-2 years	825,512.11	565,233.89
2-3 years	48,980.93	210,039.76
3-4 years	22,600.00	9,159.80
4-5 years	3,349.80	233,864.43
Over 5 years	19,066.05	47,545.24
Sub-total	304,213,996.65	299,530,593.82
Less: provision for bad debts	16,143,537.84	15,742,586.24
Total	288,070,458.81	283,788,007.58

2. Disclosure by method for provision for bad debts

	Ending balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Accounts receivable with provision for bad debts made on an individual basis	899,394.84	0.3	899,394.84	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	303,314,601.81	99.70	15,244,143.00	5.03	288,070,458.81
Including: aging portfolio	303,314,601.81	99.70	15,244,143.00	5.03	288,070,458.81
Total	304,213,996.65	100.00	16,143,537.84		288,070,458.81

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Accounts receivable with provision for bad debts made on an individual basis	580,800.00	0.19	580,800.00	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	298,949,793.82	99.81	15,161,786.24	5.07	283,788,007.58
Including: aging portfolio	298,949,793.82	99.81	15,161,786.24	5.07	283,788,007.58
Total	299,530,593.82	100.00	15,742,586.24		283,788,007.58

3. Accounts receivable with provision for bad debts made on an individual basis

Entity name	Ending balance			
	Book balance	**Provision for bad debts**	**Provision ratio** *(%)*	**Reasons for provision**
Shanghai Eastone Automotive Technology Co., Ltd.	580,800.00	580,800.00	100.00	Refusal to execute repayment after mediation
Beijing Borgward Automotive Co., Ltd.	318,594.84	318,594.84	100.00	The Company declares bankruptcy
Total	899,394.84	899,394.84		

4. Accounts receivable with provision for bad debts accrued on a portfolio basis

(1) Aging portfolio

Aging	Ending balance		
	Book balance	**Provision for bad debts**	**Provision ratio** *(%)*
Within 1 year	302,395,092.92	15,119,754.65	5.00
1-2 years	825,512.11	82,551.21	10.00
2-3 years	48,980.93	9,796.19	20.00
3-4 years	22,600.00	11,300.00	50.00
4-5 years	3,349.80	1,674.90	50.00
Over 5 years	19,066.05	19,066.05	100.00
Total	303,314,601.81	15,244,143.00	

5. Provision for bad debts accrued, recovered or reversed in the current period

Type	Beginning balance	Changes in the current period				Ending balance
		Provision	**Recovery or reversal**	**Write-off**	**Other changes**	
Accounts receivable with provision for bad debts made on an individual basis	580,800.00	318,594.84				899,394.84
Accounts receivable with provision for bad debts accrued on a portfolio basis	15,161,786.24	593,315.47			-510,958.71	15,244,143.00
Including: aging portfolio	15,161,786.24	593,315.47			-510,958.71	15,244,143.00
Total	15,742,586.24	911,910.31			-510,958.71	16,143,537.84

6. There were no accounts receivable actually written off during the reporting period

7. Top five accounts receivable in terms of ending balance collected by the debtor

Entity name	Ending balance	Proportion in the ending balance of accounts receivable (%)	Provision for bad debts made
YAPP Automotive Systems Co., Ltd.	49,718,100.97	16.34	2,485,905.05
Chongqing Dajiang YAPP Automotive Systems Co., Ltd.	25,946,219.85	8.53	1,297,310.99
United Automotive Electronic Systems Co., Ltd.	21,713,081.30	7.14	1,085,654.07
SAIC General Motors Corporation Limited	16,968,311.92	5.58	848,415.60
Chongqing Wanlition Industry (Group) Co., Ltd.	14,138,125.88	4.65	706,906.29
Total	128,483,839.92	42.24	6,424,192.00

Note 5. Advances to suppliers

1. Presentation of advances to suppliers by aging

Aging	Ending balance Amount	Ratio (%)	Beginning balance Amount	Ratio (%)
Within 1 year	45,259,450.31	91.30	39,561,778.57	94.90
1-2 years	4,056,805.49	8.18	1,829,079.49	4.39
2-3 years	248,074.41	0.50	295,510.93	0.71
Over 3 years	8,338.60	0.02		
Total	49,572,668.81	100.00	41,686,368.99	100.00

2. Reasons for the failure to settle advances to suppliers with aging of more than 1 year with significant amounts in time

Entity name	Ending balance	Aging	Reasons for failure to settle in time
Qingdao Hi-Tech Moulds Co., Ltd.	1,726,142.53	1-2 years	The mold development and acceptance process is time-consuming
Sub-total	1,726,142.53		

3. Top five prepayments in terms of ending balance by payee

Entity name	Ending balance	Proportion in total advances to suppliers (%)	Time of advance payment	Reasons for no settlement
Shanghai Pushuo Industrial Co., Ltd.	13,673,513.02	27.58	2022	Advance payment for materials according to the contract
Qingdao Hi-Tech Moulds Co., Ltd.	4,590,642.53	9.26	2021, 2022	Prepayment for molds according to the contract

Entity name	Ending balance	Proportion in total advances to suppliers *(%)*	Time of advance payment	Reasons for no settlement
Shanghai Century Mould Co., Ltd.	2,470,660.87	4.98	2021, 2022	Prepayment for molds according to the contract
Wuxi Kemingxin Automotive Electronic Systems Co., Ltd.	2,053,308.25	4.14	2022	Advance payment for materials according to the contract
Yangzhou Newsun Technology Co., Ltd.	2,050,583.20	4.14	2021, 2022	Prepayment for molds according to the contract
Total	24,838,707.87	50.10		

Note 6. Other receivables

Item	Ending balance	Beginning balance
Interest receivable	784,198.13	565,065.63
Dividends receivable	9,474,740.02	10,550,669.23
Other receivables	1,035,918.69	919,308.37
Total	11,294,856.84	12,035,043.23

Note: other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

(I) Interest receivable

1. Classification of interest receivable

Item	Ending balance	Beginning balance
Schürholz GmbH & Co. KG Stanztechnik	784,198.13	565,065.63
Total	784,198.13	565,065.63

2. Provision for bad debts of interest receivable

As of December 31, 2022, the Company believes that there is no need to make provision for expected credit impairment on the interest receivable.

3. Other notes to interest receivable

According to the Articles of Association of the subsidiary's participated company Schürholz GmbH & Co. KG Stanztechnik, a loan account shall be maintained for each shareholder in addition to the fixed capital, in which withdrawals, interest, dividends and other credits and debits are recorded. The interest of this loan account is calculated at a rate 2.00% higher than the benchmark interest rate.

(II) Dividends receivable

1. Dividends receivable

Investee	Ending balance	Beginning balance
Schürholz GmbH & Co. KG Stanztechnik	9,474,740.02	10,550,669.23
Total	9,474,740.02	10,550,669.23

Significant dividends receivable with aging more than 1 year:

Investee	Ending balance	Aging	Reason for non-recovery	Whether there is impairment and the reasons
Schürholz GmbH & Co. KG Stanztechnik	7,136,170.08	2-5 years	Agreement	No
Total	7,136,170.08			

2. *Provision for bad debts of dividends receivable*

As of December 31, 2022, the Company believes that there is no need to make provision for expected credit impairment on the dividends receivable.

(III) Other receivables

1. *Disclosure by aging*

Aging	Ending balance	Beginning balance
Within 1 year	369,019.70	850,064.30
1-2 years	641,500.00	13,052.56
2-3 years	10,000.00	
3-4 years		200,000.00
4-5 years	200,000.00	277,910.28
Over 5 years	449,294.28	171,384.00
Sub-total	1,669,813.98	1,512,411.14
Less: provision for bad debts	633,895.29	593,102.77
Total	1,035,918.69	919,308.37

2. *Classification by nature of payment*

Nature of payment	Ending balance	Beginning balance
Security deposit	945,000.00	802,500.00
Petty cash	64,681.54	166,096.64
Provisional payment	220,873.82	183,450.32
Others	439,258.62	360,364.18
Total	1,669,813.98	1,512,411.14

3. *Disclosure by three stages of impairment of financial assets*

	Ending balance			Beginning balance		
Item	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
First stage				1,234,500.86	315,192.49	919,308.37
Second stage	1,391,903.70	355,985.01	1,035,918.69			
Third stage	277,910.28	277,910.28	–	277,910.28	277,910.28	
Total	1,669,813.98	633,895.29	1,035,918.69	1,512,411.14	593,102.77	919,308.37

4. *Disclosure by method for provision for bad debts*

	Ending balance				
	Book balance		Provision for bad debts		
Type	**Amount**	**Ratio** *(%)*	**Amount**	**Provision ratio** *(%)*	**Book value**
Other receivables with provision for bad debts made on an individual basis	277,910.28	16.64	277,910.28	100.00	
Other receivables with provision for bad debts made on a portfolio basis	1,391,903.70	83.36	355,985.01	25.58	1,035,918.69
Including: Portfolio I	1,391,903.70	83.36	355,985.01	25.58	1,035,918.69
Total	1,669,813.98	100.00	633,895.29		1,035,918.69

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	**Amount**	**Ratio** *(%)*	**Amount**	**Provision ratio** *(%)*	**Book value**
Other receivables with provision for bad debts made on an individual basis	277,910.28	18.38	277,910.28	100.00	
Other receivables with provision for bad debts made on a portfolio basis	1,234,500.86	81.62	315,192.49	25.53	919,308.37
Including: Portfolio I	1,234,500.86	81.62	315,192.49	25.53	919,308.37
Total	1,512,411.14	100.00	593,102.77		919,308.37

5. *Other receivables with provision for bad debts made on an individual basis*

	Ending balance			
Entity name	**Book balance**	**Provision for bad debts**	**Provision ratio** *(%)*	**Reasons for provision**
Shanghai Dizai'en Mould & Plastic Technology Co., Ltd.	277,910.28	277,910.28	100.00	The debtor is listed as a untrustworthy person
Total	277,910.28	277,910.28		

6. *Other receivables with provision for bad debts made on a portfolio basis*

(1) Aging portfolio

	Ending balance		
Aging	**Book balance**	**Provision for bad debts**	**Provision ratio** *(%)*
Within 1 year	369,019.70	18,451.01	5.00
1-2 years	641,500.00	64,150.00	10.00
2-3 years	10,000.00	2,000.00	20.00
4-5 years	200,000.00	100,000.00	50.00
Over 5 years	171,384.00	171,384.00	100.00
Total	1,391,903.70	355,985.01	

7. *Provision for bad debts of other receivables*

	First stage	Second stage	Third stage	
Provision for bad debts	**Expected credit loss for the next 12 months**	**Expected credit loss during the entire duration (without credit impairment)**	**Expected credit loss during the entire duration (with credit impairment)**	**Total**
Beginning balance	315,192.49		277,910.28	593,102.77
Beginning balance in the current period	-315,192.49	315,192.49		
- Transfer to the second stage	-315,192.49	315,192.49		
- Transfer to the third stage				
- Reversal to the second stage				
- Reversal to the first stage				
Provision in the current period		51,843.34		51,843.34
Reversal in the current period				
Charge-off in the current period				
Write-off in the current period				
Other changes		-11,050.82		-11,050.82
Ending balance		355,985.01	277,910.28	633,895.29

8. *No other receivables actually written off during the reporting period*

9. *Top five other receivables in terms of ending balance collected by the debtor*

Entity name	Nature of payment	Ending balance	Aging	Proportion in the ending balance of other receivables (%)	Ending balance of provision for bad debts
Migrant workers' wage guarantee deposits in the jurisdiction of the Housing and Urban-Rural Construction Bureau of Hanjiang District, Yangzhou City	Security deposit	600,000.00	1-2 years	35.93	60,000.00
Shanghai Dizai'en Mould & Plastic Technology Co., Ltd.	Advances to suppliers transfer in	277,910.28	Over 5 years	16.64	277,910.28
Off-budget funds of Jiangwang Sub-district Finance Office, Hanjiang District, Yangzhou	Security deposit	200,000.00	4-5 years	11.98	100,000.00
Yantai Development Zone Rongkang Environment Engineering Co., Ltd.	Advances in lieu	167,000.00	Over 5 years	10.00	167,000.00
Jiangsu Datong Electromechanical Co., Ltd.	Security deposit	100,000.00	Within 1 year	5.99	5,000.00
Total		1,344,910.28		80.54	609,910.28

Note 7. Inventories

1. ***Classification of inventories***

Item	Ending balance			Beginning balance		
	Book balance	Provision for depreciation/ provision for impairment of contract performance costs	Book value	Book balance	Provision for depreciation/ provision for impairment of contract performance costs	Book value
Raw materials	60,223,537.50	1,795,848.50	58,427,689.00	43,317,894.70	1,649,428.64	41,668,466.06
Products in progress	638,824.56		638,824.56	404,706.18		404,706.18
Stock commodities	72,258,095.41	2,051,288.31	70,206,807.10	57,014,365.27	2,381,157.57	54,633,207.70
Dispatched goods	8,558,259.79		8,558,259.79	11,297,359.19		11,297,359.19
Entrusted processing materials	23,096,457.34		23,096,457.34	27,910,295.27		27,910,295.27
Circular materials	1,188,525.32		1,188,525.32	802,522.72		802,522.72
Self-manufactured semi-finished products	6,706,839.94	552,144.70	6,154,695.24	5,276,188.48	419,023.65	4,857,164.83
Total	172,670,539.86	4,399,281.51	168,271,258.35	146,023,331.81	4,449,609.86	141,573,721.95

Provision for inventory depreciation and provision for impairment of contract performance costs

Item	Beginning balance	Increase in the current period		Decrease in the current period			Ending balance
		Provision	Others	Reversal	Write-off	Others	
Raw materials	1,649,428.64	1,258,307.61			1,040,459.53	71,428.22	1,795,848.50
Stock commodities	2,381,157.57	1,681,614.90			1,969,817.77	41,666.39	2,051,288.31
Self-manufactured semi-finished products	419,023.65	250,306.67			117,185.62		552,144.70
Total	4,449,609.86	3,190,229.18			3,127,462.92	113,094.61	4,399,281.51

The specific basis for the Company to determine the net realizable value is to withdraw or adjust the provision for inventory depreciation according to the lower of the cost of the inventory or the net realizable value according to the inventory backlog, age, trial use, market price, etc. The write-off of provision for inventory depreciation is due to the write-off of the Company's disposal and sale.

Note 8. Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	3,193,268.64	1,815,586.36
Investment cost of certificate of deposit	278,386,602.38	236,516,991.27
Interest receivable of certificate of deposit	8,916,164.98	
Deferred expenses	121,541.24	
Prepaid tax	14,353.11	5,424.75
Total	290,631,930.35	238,338,002.38

Note 9. Long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Investments in associates and joint ventures	58,791,769.83		58,791,769.83	56,415,694.29		56,415,694.29
Total	58,791,769.83		58,791,769.83	56,415,694.29		56,415,694.29

1. Investment in associates

Investee	Beginning balance	Increase/decrease in the current period			
		Additional investment	Reduced investment	Investment income recognized under the equity method	Adjustment of other comprehensive income
Schürholz GmbH	82,876.81			5,495.59	
Schürholz GmbH & Co. KG Stanztechnik	44,244,469.54			3,611,895.70	
Schürholz Polska Sp z o.o.	12,088,347.94			83,242.38	-217,399.30
Total	56,415,694.29			3,700,633.67	-217,399.30

Continued:

Investee	Increase/decrease in the current period: Changes in other equity	Cash dividends or profits declared and distributed	Provision for impairment	Others	Ending balance	Provisions for impairment: Ending balance
Schürholz GmbH		–		2,408.85	90,781.25	
Schürholz GmbH & Co. KG Stanztechnik		-2,708,755.22		1,257,803.22	46,405,413.24	
Schürholz Polska Sp z o.o.		–		341,384.32	12,295,575.34	
Total		-2,708,755.22		1,601,596.39	58,791,769.83	

Note 10. Other non-current financial assets

Item	Ending balance	Beginning balance
Investments in equity instruments	49,320,000.00	15,000,000.00
Total	49,320,000.00	15,000,000.00

(1) During the current period, according to the Investment Cooperation Agreement signed by and between the Company and Wuxi Longway Technology Co., Ltd. (hereinafter referred to as "Longway Technology") in 2020, the Company paid RMB15 million to Longway Technology for investment.

(2) On May 1, 2022, the Company signed an equity transfer agreement with three natural person shareholders of Longwei Technology, respectively to purchase 2.8545%, 2% and 1% of the equity of Longwei Technology held by three natural person shareholders for RMB9.42 million, RMB6.6 million and RMB3.3 million respectively. After the completion of the transfer, the Company held 15.429% of the equity of Longwei Technology.

Note 11. Fixed assets

Item	Houses and buildings	Machinery equipment	Means of transportation	Office facilities	Other equipment	Total
I. Total original book value						
1. Beginning balance	82,198,009.38	234,402,705.35	4,556,567.67	7,680,219.75	29,729,871.99	358,567,374.14
2. Increase in the current period	–	32,052,927.90	812,745.00	1,037,840.51	6,021,765.22	39,925,278.63
Purchase		29,790,189.93	812,745.00	984,441.80	6,021,765.22	37,609,141.95
Transfer from construction in progress		2,262,737.97				2,262,737.97
Business combination not under common control				53,398.71		53,398.71
3. Decrease in the current period	–	10,614,559.21	953,685.75	322,258.19	1,957,774.27	13,848,277.42
Disposal or scrapping		57,522.12	379,685.75			437,207.87
Disposal of subsidiaries		10,557,037.09	574,000.00	322,258.19	1,957,774.27	13,411,069.55
4. Ending balance	82,198,009.38	255,841,074.04	4,415,626.92	8,395,802.07	33,793,862.94	384,644,375.35
II. Accumulated depreciation						
1. Beginning balance	27,419,125.05	96,306,053.95	3,215,107.23	4,842,994.51	16,383,886.96	148,167,167.70
2. Increase in the current period	3,808,005.84	20,759,306.60	432,936.10	1,044,660.11	5,323,330.74	31,368,239.39
Provision in the current period	3,808,005.84	20,759,306.60	432,936.10	1,012,362.75	5,323,330.74	31,335,942.03
Business combination not under common control				32,297.36		32,297.36
3. Decrease in the current period	–	3,197,329.19	757,988.29	112,588.52	1,118,794.88	5,186,700.88
Disposal or scrapping		380,585.90	360,701.46			741,287.36
Disposal of subsidiaries		2,816,743.29	397,286.83	112,588.52	1,118,794.88	4,445,413.52

Item	Houses and buildings	Machinery equipment	Means of transportation	Office facilities	Other equipment	Total
4. Ending balance	31,227,130.89	113,868,031.36	2,890,055.04	5,775,066.10	20,588,422.82	174,348,706.21
III. Provision for impairment						
1. Beginning balance	–	–	–	–	–	–
2. Increase in the current period	–	–	–	–	–	–
3. Decrease in the current period	–	–	–	–	–	–
4. Ending balance	–	–	–	–	–	–
IV. Book value						
1. Book value as at the end of the period	50,970,878.49	141,973,042.68	1,525,571.88	2,620,735.97	13,205,440.12	210,295,669.14
2. Book value as at the beginning of the period	54,778,884.33	138,096,651.40	1,341,460.44	2,837,225.24	13,345,985.03	210,400,206.44

Note 12. Construction in progress

1. Construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Nanyuan Factory Construction Project	38,038,758.01		38,038,758.01	17,315,510.70		17,315,510.70
Yantai Phase I Retaining Wall	1,943,315.32		1,943,315.32			
Total	39,982,073.33		39,982,073.33	17,315,510.70		17,315,510.70

2. Changes in significant construction in progress

Project name	Beginning balance	Increase in the current period	Fixed assets transferred in the current period	Other decreases in the current period	Ending balance
Nanyuan Factory Construction Project	17,315,510.70	20,723,247.31			38,038,758.01
Yantai Phase I Retaining Wall		1,943,315.32			1,943,315.32
Sporadic works		2,262,737.97	2,262,737.97		
Total	17,315,510.70	24,929,300.60	2,262,737.97		39,982,073.33

Continued:

Project name	Budget amount *(RMB10,000)*	Proportion of project investment in budget *(%)*	Progress of construction *(%)*	Accumulated capitalization amount of interest	Including: Capitalized amount of interest in the current period	Capitalization rate of interest in this period *(%)*	Capital source
Nanyuan Factory Construction Project	4,500.00	84.53	85.00				Raised funds
Yantai Phase I Retaining Wall	400	48.58	50.00				Proprietary funds
Sporadic works							Proprietary funds
Total							

Note 13. Right-of-use assets

Item	Houses and buildings	Total
I. Total original book value:		
1. Beginning amount	9,068,091.29	9,068,091.29
2. Increase in the current period	8,478,509.53	8,478,509.53
Lease	8,478,509.53	8,478,509.53
3. Decrease in the current period	947,381.26	947,381.26
Lease expiration	650,199.81	650,199.81
Disposal of subsidiaries	297,181.45	297,181.45
4. Ending balance	16,599,219.56	16,599,219.56
II. Accumulated depreciation		
1. Beginning balance	2,087,019.71	2,087,019.71
2. Increase in the current period	3,319,309.47	3,319,309.47
Provision in the current period	3,319,309.47	3,319,309.47
3. Decrease in the current period	891,728.61	891,728.61
Lease expiration	650,199.81	650,199.81
Disposal of subsidiaries	241,528.80	241,528.80
4. Ending balance	4,514,600.57	4,514,600.57
III. Provision for impairment		
1. Beginning balance	–	–
2. Increase in the current period	–	–
3. Decrease in the current period	–	–
4. Ending balance	–	–
IV. Book value		
1. Book value as at the end of the period	12,084,618.99	12,084,618.99
2. Book value as at the beginning of the period	6,981,071.58	6,981,071.58

Note 14. Intangible assets

Item	Land use rights	Software	Non-proprietary technology	Trademark right	Total
I. Total original book value					
1. Beginning balance	31,735,546.99	13,624,472.26	–	–	45,360,019.25
2. Increase in the current period	8,923.24	49,504.95	341,800.00	8,490.00	408,718.19
Outsourcing	8,923.24	49,504.95			58,428.19
Business combination not under common control			341,800.00	8,490.00	350,290.00
3. Decrease in the current period	–	–	–	–	–
4. Ending balance	31,744,470.23	13,673,977.21	341,800.00	8,490.00	45,768,737.44
II. Accumulated accumulation					
1. Beginning balance	3,035,438.00	5,386,852.46	–	–	8,422,290.46
2. Increase in the current period	845,220.25	2,260,446.65	33,362.03	944.10	3,139,973.03
Provision in the current period	845,220.25	2,260,446.65	33,362.03	944.10	3,139,973.03
3. Decrease in the current period	–	–	–	–	–
4. Ending balance	3,880,658.25	7,647,299.11	33,362.03	944.10	11,562,263.49
III. Provision for impairment					
1. Beginning balance	–	–	–	–	–
2. Increase in the current period	–	–	–	–	–
3. Decrease in the current period	–	–	–	–	–
4. Ending balance	–	–	–	–	–
IV. Book value					
1. Book value as at the end of the period	27,863,811.98	6,026,678.10	308,437.97	7,545.90	34,206,473.95
2. Book value as at the beginning of the period	28,700,108.99	8,237,619.80	–	–	36,937,728.79

Note 15. Goodwill

1. Original book value of goodwill

Name of the investees or matters forming goodwill	Beginning balance	Increase in the current period Formation of business combination	Others	Decrease in the current period Disposal	Others	Ending balance
Changzhou Huaxuan Sensing Technology Co., Ltd.	21,077,020.85			21,077,020.85		
Kunshan Olive Auto Parts Co., Ltd.	60,265.73					60,265.73
Jiangsu Ruishi Sensing Technology Co., Ltd.		5,441,451.39				5,441,451.39
Total	21,137,286.58	5,441,451.39		21,077,020.85		5,501,717.12

2. Impairment provision of goodwill

Name of the investees or matters forming goodwill	Beginning balance	Increase in the current period Provision	Others	Decrease in the current period Disposal	Others	Ending balance
Jiangsu Ruishi Sensing Technology Co., Ltd.		5,441,451.39				5,441,451.39
Total		5,441,451.39				5,441,451.39

3. Asset group or asset group portfolio the goodwill belongs to

The asset group or asset group portfolio for the Company's goodwill impairment test is consistent with the asset group or asset group portfolio determined on the acquisition date.

4. Goodwill impairment test process, parameters and recognition method of impairment loss on goodwill

(1) Recognition method of impairment loss on goodwill

If the Company's goodwill is formed by business combination, the goodwill and all relevant assets of the investee forming the goodwill shall be recognized as an asset group. The Company will conduct impairment test for the asset group, and compare the recoverable amount with the book value of the asset group (including the Company's goodwill and minority shareholders' goodwill). The difference between the recoverable amount and the book value shall be recognized as impairment loss. The impairment loss shall be firstly offset against the book value of the goodwill, and the impairment loss on goodwill attributable to the Company shall be recognized in the consolidated statements, and the goodwill impairment shall be accrued.

(2) Goodwill impairment test process

The Company engaged a professional valuation firm to perform an impairment test on the goodwill related to Jiangsu Ruishi Sensing Technology Co., Ltd. using the fair value less disposal cost method. The calculation of goodwill impairment is as follows:

Item	No.	Ruishi Sensing	Remark
Book value of asset group	①	2,777,475.42	
Goodwill	②	5,441,451.39	
Minority shareholder goodwill (or goodwill of purchase of minority equity)	③	0	

Item	No.	Ruishi Sensing	Remark
Book value of the asset group containing the overall goodwill	④=①+②+③	8,218,926.81	
Estimated recoverable amount	⑤	2,653,999.32	
Calculate the overall impairment loss on goodwill	⑥=④-⑤	5,564,927.49	Provision for impairment is required
Overall goodwill	⑦=②+③	5,441,451.39	
Recognized impairment loss on goodwill	⑧	5,441,451.39	
Shareholding ratio (%)	⑨	100.00	
Impairment loss on goodwill attributable to the parent company	⑩=⑨*⑧	5,441,451.39	

After the goodwill impairment test, there is an impairment loss on the goodwill of Jiangsu Ruishi Sensing Technology Co., Ltd.

5. Additional notes to goodwill

In the current period, the goodwill decreased by RMB21,077,020.85 due to the sale of all the equity of the subsidiary Changzhou Huaxuan Sensing Technology Co., Ltd.

Note 16. Long-term deferred expenses

Item	Beginning balance	Increase in the current period	Amortization the current period	Other decreases	Ending balance
Decoration cost of leased house	757,823.97		464,020.96		293,803.01
Total	757,823.97		464,020.96		293,803.01

Note 17. Deferred tax assets and deferred tax liabilities

1. Deferred tax assets without offset

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	21,170,459.06	3,639,749.34	20,785,298.87	3,179,214.18
Unrealized profits from internal transactions	307,450.04	76,862.51	639,019.44	127,736.24
Deductible loss	3,103,703.08	775,925.77	14,774,389.50	3,127,252.30
Government grants	39,217,137.68	6,932,109.78	24,446,040.70	4,041,317.32
Changes in fair value	6,506,607.85	975,991.18		
Restricted shares incentive expenses	1,480,248.60	222,037.29	276,540.00	41,481.00
Total	71,785,606.31	12,622,675.87	60,921,288.51	10,517,001.04

2. Deferred tax liabilities without offset

Item	Ending balance Taxable temporary differences	Ending balance Deferred tax liabilities	Beginning balance Taxable temporary differences	Beginning balance Deferred tax liabilities
One-time pre-tax deduction of fixed assets	88,039,579.01	14,490,841.81	67,677,778.87	10,151,666.83
Asset evaluation increment from business combination not under common control	544,299.97	136,075.00	367,948.26	91,987.07
Accrued interest of certificate of deposit	8,916,164.98	1,429,428.92		
Changes in fair value	1,926,768.96	289,015.34	3,659.67	548.95
Total	99,426,812.92	16,345,361.07	68,049,386.80	10,244,202.85

3. Details of deductible temporary differences of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible loss	11,882,120.06	3,747,517.94
Total	11,882,120.06	3,747,517.94

4. Deductible losses from unrecognized deferred tax assets will be expired in the following years

Year	Ending balance	Beginning balance	Remark
2022		61,451.63	
Year 2023	1,152,382.45	605,096.11	
Year 2024	2,729,581.27	1,626,761.74	
Year 2025	2,300,689.40	830,880.62	
Year 2026	4,399,236.21	623,327.84	
Year 2027	1,300,230.73		
Total	11,882,120.06	3,747,517.94	

There is uncertainty as to whether the subsidiaries Olive (Europe) Holdings S.à r.l., Wuhan Olive Auto Parts Co., Ltd. and Jiangsu Ruishi Sensing Technology Co., Ltd. will be able to obtain sufficient taxable income in the future, so deferred tax assets have not been recognized for the relevant deductible temporary differences and deductible losses.

Note 18. Other non-current assets

Item	Ending balance Book balance	Ending balance Provision for depreciation	Ending balance Book value	Beginning balance Book balance	Beginning balance Provision for depreciation	Beginning balance Book value
Advances for projects	62,400.00		62,400.00	1,920,916.19		1,920,916.19
Prepayments for equipment	14,749,859.17		14,749,859.17	16,204,347.77		16,204,347.77
Total	14,812,259.17		14,812,259.17	18,125,263.96		18,125,263.96

Note 19. Short-term borrowings

Item	Ending balance	Beginning balance
Guaranteed borrowings	119,000,000.00	70,000,000.00
Fiduciary loans	40,000,000.00	80,000,000.00
Total	159,000,000.00	150,000,000.00

Note 20. Notes payable

Category	Ending balance	Beginning balance
Bank acceptance bills	10,850,128.80	16,523,731.15
Total	10,850,128.80	16,523,731.15

Note 21. Accounts payable

Item	Ending balance	Beginning balance
Payables for materials	99,051,606.15	93,499,320.54
Payables for processing fees	28,814,004.29	28,087,215.65
Payables for project payment	886,400.00	4,274,465.36
Payables for equipment	6,033,001.18	8,092,313.88
Payables for molds	5,936,006.29	3,946,489.81
Other payables	8,461,937.82	8,448,207.12
Total	149,182,955.73	146,348,012.36

Significant accounts payable with aging of more than 1 year:

Entity name	Ending balance	Reason for non-repayment or carry-forward
Yantai Derun Construction Co., Ltd. Tenth Branch	1,900,550.46	Unsettled project funds
Total	1,900,550.46	

Note 22. Contract liabilities

1. Contract liabilities

Item	Ending balance	Beginning balance
Advances from product sales	1,196,265.44	1,966,007.11
Total	1,196,265.44	1,966,007.11

Note 23. Employee compensation payable

1. Presentation of employee compensation payable

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term compensation	8,098,945.79	104,933,800.56	103,197,589.57	9,835,156.78
Post-employment benefits – defined contribution plans		5,574,563.51	5,574,563.51	
Total	8,098,945.79	110,508,364.07	108,772,153.08	9,835,156.78

2. Presentation of short-term compensation

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Salaries, bonuses, allowances and subsidies	8,095,445.79	96,383,570.49	94,643,859.50	9,835,156.78
Employee welfare expenses		3,996,158.95	3,996,158.95	
Social insurance premiums		3,035,311.30	3,035,311.30	
Including: basic medical insurance premiums		2,727,122.08	2,727,122.08	
Work-related injury insurance premiums		308,189.22	308,189.22	
Housing provident fund		1,364,523.68	1,364,523.68	
Union funds and employee education funds	3,500.00	154,236.14	157,736.14	
Total	8,098,945.79	104,933,800.56	103,197,589.57	9,835,156.78

3. Presentation of defined contribution plans

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance		5,405,360.76	5,405,360.76	
Unemployment insurance premium		169,202.75	169,202.75	
Total		5,574,563.51	5,574,563.51	

Note 24. Taxes and surcharges payable

Taxes and duties	Ending balance	Beginning balance
Value added tax (VAT)	5,057,694.15	5,823,955.16
Enterprise income tax	53,541,095.79	9,036,011.99
Individual income tax	5,484.79	174,116.94
Urban maintenance and construction tax	447,182.80	372,973.85
Property taxes	168,065.59	183,532.96
Land use taxes	148,452.18	230,768.31
Stamp tax	83,521.89	159,164.91
Education surcharge	196,108.64	162,408.81
Local education surtax	130,739.08	108,053.91
Environmental protection duty	103.05	103.05
Total	59,778,447.96	16,251,089.89

Note 25. Other payables

1. Other payables presented by nature of payment

Nature of payment	Ending balance	Beginning balance
Margin and security deposit	920,000.00	970,000.00
Borrowings from non-financial institutions	1,347,674.90	115,477.69
Payables for equity acquisition	2,250,000.00	
Liabilities arising from restricted shares repurchase obligations		300,630.00
Others	482,271.75	82,873.69
Total	4,999,946.65	1,468,981.38

Note 26. Non-current liabilities maturing within one year

Item	Ending balance	Beginning balance
Lease liabilities maturing within one year	4,179,222.07	1,837,679.44
Total	4,179,222.07	1,837,679.44

Note 27. Other current liabilities

Item	Ending balance	Beginning balance
Output tax of value-added tax to be transferred	79,567.02	107,602.13
Total	79,567.02	107,602.13

Note 28. Lease liabilities

Nature of payment	Ending amount	Beginning balance
House leasing	13,586,662.80	7,253,143.71
Subtotal of total lease receipts	13,586,662.80	7,253,143.71
Less: unrecognized financing expenses	910,176.84	481,846.50
Subtotal of present value of lease receipt	12,676,485.96	6,771,297.21
Less: Lease liabilities maturing within one year	4,179,222.07	1,837,679.44
Total	8,497,263.89	4,933,617.77

The interest expenses of lease liabilities recognized in the current period was RMB440,696.53.

Note 29. Deferred income

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Formation causes
Government subsidies related to assets	24,296,040.70	19,841,600.00	4,920,503.02	39,217,137.68	
Government subsidies related to income	150,000.00		150,000.00		
Total	24,446,040.70	19,841,600.00	5,070,503.02	39,217,137.68	

Deferred income related to government subsidies:

Liabilities	Beginning balance	New grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income the current period	Costs offset in the current period Amount	Other changes	Ending balance	Related to assets/income
Technical transformation project for annual production of 2 million sets of high-precision automotive sensors based on MEMS technology	480,000.00			120,000.00			360,000.00	Related to assets
R&D and industrialization projects of MEMS series sensors	600,000.00			200,000.00			400,000.00	Related to assets

Liabilities	Beginning balance	New grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income the current period	Costs offset in the current period Amount	Other changes	Ending balance	Related to assets/income
Technical transformation project for an auto parts and components production line with annual capacity of 3 million oil-resistant liquid level sensors and other components	295,000.00			295,000.00				Related to assets
Subsidies for industrialization projects of NOX sensor for automobile energy conservation and environmental protection	3,540,591.67			545,699.10			2,994,892.57	Related to assets
2017 Industrial strong base engineering (Pressure sensors based on MEMS technology)	3,560,649.27			700,879.92			2,859,769.35	Related to assets
Subsidies for construction project of internet of vehicles system for commercial vehicles	2,880,000.00			288,000.00			2,592,000.00	Related to assets
Technical transformation project of auto parts and components production line with an annual output of 5 million sets	1,252,596.11	2,312,200.00		462,639.62			3,102,156.49	Related to assets
Technical transformation project of new auto parts and components production line with an annual output of 3 million sets	4,130,842.72			683,348.19			3,447,494.53	Related to assets
Subsidies for investment in fixed assets of Yantai project	960,000.00			320,000.00			640,000.00	Related to assets
Subsidies for retaining wall	1,796,666.67	1,560,000.00		104,568.40			3,252,098.27	Related to assets
Special subsidies for industrial investment and technological development and transformation	534,415.27			80,886.28			453,528.99	Related to assets
Subsidies for machine substitution projects	453,030.16			59,769.84			393,260.32	Related to assets
R&D and industrialization of precision stamping technology for automobile fuel tank connection locking chuck for China VI emission application	2,331,443.81	2,000,000.00		714,410.90			3,617,032.91	Related to assets

Liabilities	Beginning balance	New grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income the current period	Costs offset in the current period Amount	Other changes	Ending balance	Related to assets/income
Subsidies for major equipment investment in transformation, upgrading and technical transformation projects	937,792.63			132,662.59			805,130.04	Related to assets
Subsidies for technical transformation of precision stamping parts production line with an annual output of 10 million sets of automobile chassis system	543,012.39	969,400.00		178,071.69			1,334,340.70	Related to assets
Construction project of automotive sensor intelligent production line		13,000,000.00		34,566.49			12,965,433.51	Related to assets
R&D and industrialization of precision stamping technology for automobile fuel tank connection locking chuck for China VI emission application	150,000.00			150,000.00				Related to income
Total	24,446,040.70	19,841,600.00		5,070,503.02			39,217,137.68	

Note 30. Share capital

Item	Beginning balance	Increase (+) or decrease (-) in the current period New shares issued	Share donation	Conversion of provident fund into shares	Others	Sub-total	Ending balance
Total shares	494,705,567			296,823,340		296,823,340	791,528,907

According to the Proposal on 2021 Profit Distribution and the Conversion of Capital Reserve into Share Capital approved at the Company's 2021 annual general meeting held on April 28, 2022, the Company distributed a cash dividend of RMB0.6 (tax inclusive) for every 10 shares to all shareholders based on the total share capital of 494,705,567 shares, and issued 6 bonus shares for every 10 shares to all shareholders with capital reserve. In the current period, the Company converted capital reserve into share capital in the amount of RMB296,823,340.00.

Note 31. Capital reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (share premium)	439,664,710.36	276,540.00	296,823,340.00	143,117,910.36
Other capital reserves	276,540.00	1,480,248.61	276,540.00	1,480,248.61
Total	439,941,250.36	1,756,788.61	297,099,880.00	144,598,158.97

(1) The capital reserve – equity premium increased by RMB276,540.0 in the current period, because the third vesting period unlocking conditions of the reserved restricted shares granted under the Company's 2018 Restricted Stock Incentive Plan have been fulfilled. In the current period, 116,424 restricted shares were unlocked and granted in the current period. The "capital reserve – other capital reserve" of RMB276,540.00 was transferred to "capital reserve – equity premium".

(2) The capital reserve – equity premium decreased by RMB296,823,340.00 in the current period, due to the conversion of capital reserve into share capital of RMB296,823,340.00, as detailed in the notes to share capital.

(3) The capital reserve – other capital reserve increased by RMB1,480,248.61 in the current period, due to the Company's provision for restricted shares incentive expenses of RMB1,480,248.61 in 2022, which was included in the capital reserve – other capital reserve.

(4) The capital reserve – other capital reserve decreased by RMB276,540.00 in the current period, due to the transfer of capital reserve – other capital reserve of RMB276,540.00 to "capital reserve – equity premium" and the decrease of capital reserve – other capital reserve of RMB276,540.00 as described in Note (1).

Note 32. Treasury shares

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Restricted share-based payments	300,630.00		300,630.00	
Total	300,630.00		300,630.00	

The treasury shares decreased by RMB300,630.00 in the current period, because the unlocking conditions of the third vesting period of the reserved restricted shares granted under the Company's 2018 Restricted Stock Incentive Plan have been fulfilled, and 116,424 restricted shares were unlocked and registered for grant in the current period, and the "treasury shares" and "other payables – restricted stock share-based payments" were reduced by RMB300,630.00.

Note 33. Other comprehensive income

Item	Beginning balance	Amount in the current period: Amount before income tax in the current period	Less: the amount included in other comprehensive income in prior period and transferred to current profit or loss	Less: financial assets included in other comprehensive income in the previous period and transferred to the current period measured at amortized costs	Less: transfer of hedging reserve to related assets or liabilities	Less: income tax expenses	Attributable to parent company after tax	Ending balance
I. Other comprehensive income that cannot be reclassified into profit or loss	–	–	–	–	–	–	–	–
II. Other comprehensive income to be reclassified into profit or loss later	-2,168,269.91	434,303.14	–	–	–	–	434,303.14	-1,733,966.77

Item	Beginning balance	Amount in the current period: Amount before income tax in the current period	Less: the amount included in other comprehensive income in prior period and transferred to current profit or loss	Less: financial assets included in other comprehensive income in the previous period and transferred to the current period measured at amortized costs	Less: transfer of hedging reserve to related assets or liabilities	Less: income tax expenses	Attributable to parent company after tax	Ending balance
1. Translation differences of foreign currency statements	-2,168,269.91	434,303.14					434,303.14	-1,733,966.77
Total of other comprehensive income	-2,168,269.91	434,303.14					434,303.14	-1,733,966.77

Note 34. Surplus reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	70,715,791.52	27,881,972.76		98,597,764.28
Total	70,715,791.52	27,881,972.76		98,597,764.28

Note 35. Undistributed profits

Item	Current period	Previous period
Undistributed profits at the beginning of the period	637,562,598.56	577,143,454.91
Plus: Net profit attributable to owners of the parent company in the current period	277,169,203.44	98,405,167.58
Less: Withdrawal of statutory surplus reserves	27,881,972.76	7,360,668.92
Common share dividends payable	29,682,334.02	30,625,355.01
Plus: surplus reserve to cover losses		
Undistributed profits at the end of the period	857,167,495.22	637,562,598.56

Note 36. Operating revenue and operating cost

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	910,947,834.25	684,010,293.33	808,169,404.77	594,488,876.57
Other business	50,368,388.45	48,248,849.21	49,138,971.46	45,428,043.77
Total	961,316,222.70	732,259,142.54	857,308,376.23	639,916,920.34

1. Revenue arising from contracts

Contract classification	Amount in the current period
I. Commodity type	961,316,222.70
Auto sensors and accessories	232,487,139.96
Accessories for automotive fuel systems	454,797,270.27
Auto interior trim parts	131,529,728.35
New energy parts	84,647,151.31
IOV products	2,125,477.00
Others	55,729,455.81
II. Classification by business area	961,316,222.70
Domestic sales	911,214,812.62
Export sales	50,101,410.08
III. Contract type	961,316,222.70
Product sales contract	960,802,011.35
Lease contract	514,211.35
IV. Classification by time of commodity transfer	961,316,222.70
Transfer at a point in time	961,316,222.70
Transfer within a certain period of time	

Continued:

Contract classification	Amount in the previous period
I. Commodity type	857,308,376.23
Auto sensors and accessories	208,086,736.88
Accessories for automotive fuel systems	481,946,859.66
Auto interior trim parts	83,629,067.92
New energy parts	28,156,187.69
IOV products	57,010.00
Others	55,432,514.08
II. Classification by business area	857,308,376.23
Domestic sales	828,213,470.43
Export sales	29,094,905.80
III. Contract type	857,308,376.23
Product sales contract	857,049,010.51
Lease contract	259,365.72
IV. Classification by time of commodity transfer	857,308,376.23
Transfer at a point in time	857,308,376.23
Transfer within a certain period of time	

Note 37. Taxes and surcharges

Item	Amount in the current period	Amount in the previous period
Urban maintenance and construction tax	2,376,911.65	1,701,051.81
Education surcharge	1,022,037.67	731,453.90
Local education surtax	681,577.08	487,635.96
Land use taxes	593,808.72	443,168.94
Property taxes	674,377.08	698,760.64
Stamp tax	272,700.30	468,417.02
Vehicle and vessel tax	2,520.00	4,325.00
Environmental protection tax	48,405.20	412.20
Others		259,849.04
Total	5,672,337.70	4,795,074.51

Note 38. Selling expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	2,978,078.27	3,017,494.81
Office costs	2,263.94	2,968.20
Traveling expenses	83,715.74	16,125.58
Advertising and publicity expenses	97,238.02	72,381.19
Warehousing costs	1,610,274.36	1,150,110.15
Entertainment expenses		40,514.96
Others	356,977.59	109,861.37
Total	5,128,547.92	4,409,456.26

Note 39. G&A expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	39,341,431.46	29,123,455.38
Business entertainment expenses	4,546,530.45	3,242,491.61
Repair cost	275,750.89	942,757.58
Disabled employment security fund	53,434.47	110,963.87
Depreciation of fixed assets	2,663,068.48	1,639,377.50
Amortization of intangible assets	3,139,973.03	2,348,545.43
Insurance premiums	406,969.31	310,276.12
Office costs	1,291,181.73	1,023,211.11
Traveling expenses	1,427,089.87	1,658,926.72
Agency fees	1,061,698.96	1,068,843.94
Consultant expenses	2,468,805.10	1,846,069.22
Environmental protection fees	352,400.86	146,138.13
Automobile expenses	439,665.59	513,362.40
Conference fee		931,532.50
Labor protection expenses	230,482.91	270,767.40
Equity incentive expenses	1,480,248.61	1,210,316.44
Others	3,677,072.80	2,753,878.03
Total	62,855,804.52	49,140,913.38

Note 40. R&D expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	13,360,482.00	10,241,402.61
Intermediate test, mold, process equipment, etc.	5,117,687.48	4,185,319.64
Materials, fuel and power directly consumed	14,658,248.36	15,230,341.79
Depreciation cost	2,425,867.97	1,236,355.62
Expenses for certification and appraisal of R&D achievements		521,634.37
Other expenses	6,040,703.41	2,611,486.37
Total	41,602,989.22	34,026,540.40

Note 41. Financial expense

Item	Amount in the current period	Amount in the previous period
Interest expenses	7,022,746.55	3,101,571.69
Less: interest income	3,298,896.17	3,374,711.19
Profit or loss on exchange	-2,723,398.67	5,726,588.60
Bank service fees and others	224,426.06	244,806.16
Total	1,224,877.77	5,698,255.26

Note 42. Other income

1. ***Details of other income***

Source of other income	Amount in the current period	Amount in the previous period
Government grants	6,353,399.82	12,140,808.53
Refund of service fee for withholding individual income tax	53,021.67	50,268.89
Total	6,406,421.49	12,191,077.42

2. ***Government subsidies included in other income***

Grants	Amount in the current period	Amount in the previous period	Related to assets/related to income
Subsidies for automobile lightweight exhibition	48,000.00		Related to income
Subsidies for employment traineeship	28,728.00		Related to income
Funding for major R&D projects in 2021	100,000.00		Related to income
Subsidies for work-integrated training	56,000.00	184,500.00	Related to income
"Hancheng Talent Agglomeration Plan" funding	150,000.00		Related to income
Subsidies for "Green Willow Golden Phoenix Program"	250,000.00	608,000.00	Related to income
Disbursement of technical cooperation funds	2,000.00		Related to income
Subsidies for stabilizing posts	209,497.00	68,247.06	Related to income
Rewards for high-tech enterprises	60,000.00	400,000.00	Related to income
Patent subsidies	30,862.50	21,185.00	Related to income
Subsidies for non-local employees to stay in enterprises during the Spring Festival	16,500.00		Related to income
Subsidies for post expansion	18,000.00		Related to income
Rewards for meritorious enterprises	12,000.00		Related to income
High-quality development reward	101,309.30	800,000.00	Related to income
International intelligent manufacturing innovation and entrepreneurship competition award	200,000.00		Related to income
Bonus from commendation meeting of the Organization Department in 2021		100,000.00	Related to income
Funding for cultivation of innovation entities in 2021		200,000.00	Related to income
2019 Jiangsu Provincial Demonstration Intelligent Workshop Award		500,000.00	Related to income
Subsidies for intellectual property projects in Yangzhou in 2020		200,000.00	Related to income
2019 Provincial Science and Technology Award Municipal-level Award		100,000.00	Related to income
Funding for authorized invention patents in 2020		8,000.00	Related to income
Awards for industry-university-research activities in 2020		25,000.00	Related to income
2020 Scientific and Technological Innovation Award		70,000.00	Related to income

Grants	Amount in the current period	Amount in the previous period	Related to assets/related to income
Subsidies for non-local employees to stay in enterprises during the Spring Festival		18,000.00	Related to income
Subsidies from Yangzhou Human Resources and Social Security Bureau		100,000.00	Related to income
Listed company refinancing incentives		5,000,000.00	Related to income
Industrial project funds in Hanjiang District, Yangzhou City in 2020		50,000.00	Related to income
Yangzhou Finance Bureau's 2020 annual recognition (second year)		30,000.00	Related to income
2020 Science and Technology Awards		50,000.00	Related to income
R&D subsidies		46,200.00	Related to income
Deferred income	5,070,503.02	3,561,676.47	Related to assets/ income
Total	6,353,399.82	12,140,808.53	

Note 43. Investment income

Sources of investment income	Amount in the current period	Amount in the previous period
Income from long-term equity investments accounted for by using the equity method	3,700,633.67	5,667,485.84
Investment income from disposal of long-term equity investments	224,855,189.97	
Investment income during the holding period of trading financial assets	1,159,957.08	
Investment income from disposal of financial assets held for trading	14,874,855.38	12,987,175.71
Investment income during the holding period of debt investments	9,993,073.31	
Investment income from disposal of debt investments	8,218,841.33	3,728,122.23
Gains (losses) from derecognition of financial assets measured at amortized costs	-615,088.84	-431,350.39
Total	262,187,461.90	21,951,433.39

Note 44. Gains from changes in fair value

Sources of gains from changes in fair value	Amount in the current period	Amount in the previous period
Financial assets held for trading	-4,583,498.56	3,659.67
Total	-4,583,498.56	3,659.67

Note 45. Losses from credit impairment

Item	Amount in the current period	Amount in the previous period
Loss from bad debts	-963,753.65	-1,874,880.32
Total	-963,753.65	-1,874,880.32

Note 46. Asset impairment loss

Item	Amount in the current period	Amount in the previous period
Inventories depreciation loss	-3,190,229.18	-3,413,392.39
Impairment loss on goodwill	-5,441,451.39	
Total	-8,631,680.57	-3,413,392.39

Note 47. Gains from disposal of assets

Item	Amount in the current period	Amount in the previous period
Gains or losses on disposal of fixed assets	60,861.74	467,361.91
Total	60,861.74	467,361.91

Note 48. Non-operating revenue

Item	Amount in the current period	Amount in the previous period	Amount included in the current non-recurring profit or loss
Revenue from compensation for violation	1,030,635.61	1,421,980.42	1,030,635.61
Gains from the damage and scrapping of non-current assets	4,989.43		4,989.43
Others	39,684.10	27,774.22	39,684.10
Total	1,075,309.14	1,449,754.64	1,075,309.14

Note 49. Non-operating expense

Item	Amount in the current period	Amount in the previous period	Amount included in the current non-recurring profit or loss
Donations made	102,000.00	352,000.00	102,000.00
Expenditure on penalties and overdue fines	286,909.99	24,702.49	286,909.99
Claim payment	1,087,891.15	527,737.04	1,087,891.15
Others	20,239.45	3.04	20,239.45
Total	1,497,040.59	904,442.57	1,497,040.59

Note 50. Income tax expenses

Item	Amount in the current period	Amount in the previous period
Income tax expenses for the current period	54,652,855.90	14,698,699.59
Deferred tax expenses	3,125,589.15	1,180,757.94
Total	57,778,445.05	15,879,457.53

1. Adjustment process of accounting profits and income tax expenses

Item	Amount in the current period
Total profits	366,626,603.93
Income tax expenses calculated at applicable tax rate	54,993,990.58
Influence of different tax rates applicable to subsidiaries	8,747,540.82
Effect of additional deductions	-7,167,910.74
Influence of adjustments to the income tax for the prior years	-287,198.37
Influence of non-taxable income	-246,348.34
Impact of non-deductible costs, expenses and losses	84,050.34
Effect of deductible temporary differences or deductible losses from deferred tax assets unrecognized in the current period	1,700,473.39
Others	-46,152.63
Income tax expenses	57,778,445.05

Note 51. Notes to items of the statement of cash flows

1. Other cash received related to operating activities

Item	Current period	Amount in the previous period
Government grants	21,125,157.92	21,148,332.06
Interest income	2,167,912.27	2,281,314.55
Acceptance guarantee deposit	18,723,350.60	5,738,000.65
Others (including current accounts)	10,939,941.30	7,488,811.18
Total	52,956,362.09	36,656,458.44

2. Other cash paid related to operating activities

Item	Current period	Amount in the previous period
Selling expenses	1,600,598.51	1,296,436.36
G&A expenses and R&D expenses	26,032,351.54	20,784,627.09
Financial expenses	224,426.06	244,806.16
Non-operating expenses	388,909.99	376,702.49
Others (including current accounts)	13,575,336.25	4,324,650.47
Total	41,821,622.35	27,027,222.57

3. Other cash received related to investing activities

Item	Current period	Amount in the previous period
Certificate of deposit and income	469,215,738.86	164,126,561.11
Total	469,215,738.86	164,126,561.11

4. Other cash paid related to investing activities

Item	Current period	Amount in the previous period
Certificate of Deposit	502,843,958.33	396,915,430.15
Total	502,843,958.33	396,915,430.15

5. Other cash paid related to financing activities

Item	Current period	Amount in the previous period
Lease liabilities	3,176,737.02	2,294,478.00
Expenses from non-public offering of shares		1,135,927.97
Total	3,176,737.02	3,430,405.97

Note 52. Supplementary information to the statement of cash flows

1. Supplementary information to the statement of cash flows

Item	Current period	Prior period
1. Net profit adjusted to cash flows from operating activities		
Net profit	308,848,158.88	133,312,330.30
Plus: losses from credit impairment	963,753.65	1,874,880.32
Provision for asset impairment	8,631,680.57	3,413,392.39
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	31,335,942.03	29,727,166.09
Amortization of right-of-use assets	3,319,309.47	2,087,019.71
Amortization of intangible assets	3,139,973.03	2,348,545.43
Amortization of long-term deferred expenses	464,020.96	484,111.89
Losses from disposal of fixed assets, intangible assets and other long-term assets	-60,861.74	-467,361.91
Losses from write-off of fixed assets	-4,989.43	
Losses from changes in fair value	4,583,498.56	-3,659.67
Financial expenses	6,666,280.24	3,156,080.89
Investment loss	-262,802,550.74	-21,951,433.39
Decrease in deferred tax assets	-1,942,588.93	-1,909,572.89
Increase in deferred tax liabilities	6,080,308.09	3,090,330.83
Decrease in inventories	-33,062,689.74	-24,093,161.03
Decrease in operating receivables	-29,499,863.07	-17,698,294.29
Increase in operating payables	60,715,250.52	-246,130.17
Others	20,203,805.27	2,077,946.86
Net cash flows from operating activities	127,578,437.62	115,202,191.36
2. Investing and financing activities not involving cash receipts and payments		
Transfer of debts into capital		
Convertible corporate bonds maturing within one year		
Newly added right-of-use assets in the current period		
3. Net increase in cash and cash equivalents		
Ending balance of cash	168,604,064.57	276,171,592.69
Less: beginning balance of cash	276,171,592.69	122,183,288.08
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase of cash and cash equivalents	-107,567,528.12	153,988,304.61

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

Item	Amount in this year
Cash or cash equivalents paid in the current period for business combinations occurred in the current period	5,250,000.00
Jiangsu Ruishi Sensing Technology Co., Ltd.	5,250,000.00
Less: Cash and cash equivalents held by the subsidiary at the acquisition date	121,497.76
Jiangsu Ruishi Sensing Technology Co., Ltd.	121,497.76
Plus: Cash or cash equivalents paid in the current period for business combinations that occurred in previous periods	
Net cash paid for acquisition of subsidiaries	5,128,502.24

3. Net cash received for disposal of subsidiaries in the current period

Item	Ending amount
Cash or cash equivalents received from disposal of subsidiaries in the current period	255,451,700.00
Changzhou Huaxuan Sensing Technology Co., Ltd.	255,451,700.00
Less: Cash and cash equivalents held by the subsidiary on the date loss of control	3,393,249.21
Changzhou Huaxuan Sensing Technology Co., Ltd.	3,393,249.21
Plus: cash or cash equivalents received in the current period from disposal of subsidiaries in previous periods	
Net cash received for disposal of subsidiaries	252,058,450.79

4. Composition of cash and cash equivalents

Item	Ending amount	Beginning amount
I. Cash	168,604,064.57	276,171,592.69
Including: cash on hand	391,580.16	294,659.04
Unrestricted bank deposits	168,206,883.89	275,874,715.98
Other unrestricted monetary funds	5,600.52	2,217.67
II. Cash equivalents		
Including: Bond investment maturing within three months		
III. Ending balance of cash and cash equivalents	168,604,064.57	276,171,592.69
Including: cash and cash equivalents with restricted use right by parent company or subsidiaries of the Group		

Note 53. Assets with restricted ownership or use right

Item	Balance	Reason for restriction
Monetary funds	3,797,551.48	Issued bank acceptance bill
Total	3,797,551.48	

As of December 31, 2022, the Company issued a bank acceptance bill of RMB10,850,128.80 with bank deposit of RMB3,797,551.48 as pledge.

Note 54. Foreign currency monetary item

Item	Ending balance of foreign currency	Exchange rate of conversion	Ending balance of translated RMB
Monetary funds			12,560,054.12
USD	433,176.93	6.9646	3,016,904.05
EUR	1,285,636.35	7.4229	9,543,150.07
Accounts receivable			14,360,936.88
USD	781,956.40	6.9646	5,446,013.46
EUR	1,201,002.63	7.4229	8,914,923.42
Other receivables			10,258,938.15
EUR	1,382,066.06	7.4229	10,258,938.15
Accounts payable			2,029,218.36
USD	167,403.20	6.9646	1,165,896.33
EUR	116,305.22	7.4229	863,322.03

Description of overseas operation entity:

Olive (Europe) Holdings S.à r.l., the Company's overseas wholly-owned subsidiary, is registered in Luxembourg with a registered capital of EUR20,000. The Company chooses EUR as the recording currency.

Note 55. Government subsidies

1. Basic information of government subsidies

Items presented for government subsidies	Amount in the current period	Amount included in the current profit or loss	Remark
Government subsidies included in deferred income	19,841,600.00	5,070,503.02	See Note V, Note 29. Deferred income for details.
Government subsidies included in other income	1,282,896.80	1,282,896.80	See Note V, Note 42. Other income for details
Total	21,124,496.80	6,353,399.82	

2. Description of large government subsidies received in the current period

(1) According to the document (YFGGJF [2022] No. 219) jointly issued by the Yangzhou Development and Reform Commission and the Yangzhou Finance Bureau, the Company received a total of RMB13,000,000.00 government subsidies for the intelligent production line construction project of automotive sensors in the current period, which was included in the deferred income.

(2) According to the document (YHGXZ [2021] No. 56) issued by Yangzhou Hanjiang District Bureau of Industry and Information Technology and Yangzhou Hanjiang District Finance Bureau, the Company received the government subsidies of RMB2,312,200.00 for the technical transformation project of the auto parts and components production line with an annual output of 5 million sets in the current period, which was included in the deferred income.

(3) According to the document (YCJ [2021] No. 73) jointly issued by the Yangzhou Science and Technology Bureau and the Yangzhou Finance Bureau, its subsidiary Jiangsu Schuerholz Precision Metal Forming Co., Ltd. received RMB2,000,000.00 government subsidies for the research and development and industrialization project of automotive fuel tank connecting locking chuck precision stamping technology for China VI emission application in the current period, which was included in the deferred income.

VI. CHANGES IN THE CONSOLIDATION SCOPE

(I) Business combinations not under common control

1. Business combinations not under common control in the current period

Name of acquiree	Time point of equity acquisition	Cost for equity acquisition	Proportion of equity acquired *(%)*	Method of equity acquisition	Acquisition date
Jiangsu Ruishi Sensing Technology Co., Ltd.	January 1, 2022	7,500,000.00	100.00	Cash acquisition	January 1, 2022

Continued:

Name of acquiree	Determination basis of the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period
Jiangsu Ruishi Sensing Technology Co., Ltd.	Transfer of property rights, payment of purchase price and transfer of right of control	849,422.55	-472,440.33

In December 2021, according to the Equity Transfer Agreement and the Supplementary Agreement to Equity Transfer signed by and between the Company and five shareholders of Jiangsu Ruishi Sensing Technology Co., Ltd. (hereinafter referred to as "Ruishi Sensing"), namely, Xie Xiaobin, Sun Ping, Mei Dina, Wang Jiaqi and He Kezhi, in December 2021, the Company acquired the equity of Ruishi Sensing held by each shareholder with a total paid-up capital contribution of RMB7.5 million by each shareholder of Ruishi Sensing, and assumed the obligation to make a capital contribution of RMB2.5 million for the unpaid capital contribution. After the completion of the acquisition, Ruishi Sensing became a wholly-owned subsidiary of the Company. In January 2022, the Company paid 40% of the total equity transfer price, i.e. RMB3 million, as agreed in the agreement, and completed the property handover procedures. On July 26, 2022, Ruishi Sensing went through the formalities for the change of equity. As of December 31, 2022, the cumulative equity acquisition payment paid was RMB5.25 million.

2. Combination costs and goodwill

Name	Jiangsu Ruishi Sensing Technology Co., Ltd.
Cash	7,500,000.00
Total combination costs	7,500,000.00
Less: shares of fair value of identifiable net assets acquired	2,058,548.61
Goodwill	5,441,451.39

The consideration for the acquisition of 100% equity of Ruishi Sensing is RMB7,500,000.00. According to the Asset Evaluation Report on the Fair Value of Identifiable Net Assets of Jiangsu Ruishi Sensing Technology Co., Ltd. Involved in the Proposed Merger Consideration Allocation of Jiangsu Olive Sensors High-tech Corporation Limited (ZSPBZ [2022] No. 0081) issued by Topsun Appraisal Consulting Co., Ltd., the fair value of identifiable net assets of Ruishi Sensing is RMB2,058,548.61, and the difference between the merger consideration and the share of fair value of identifiable net assets of the acquiree is RMB5,441,451.39, forming goodwill.

3. Identifiable assets and liabilities of the acquiree on the acquisition date

Item	Jiangsu Ruishi Sensing Technology Co., Ltd. Fair value on acquisition date	Book value on acquisition date
Monetary funds	121,497.76	121,497.76
Advances to suppliers	16,110.20	16,110.20
Other receivables	331,651.70	331,651.70
Inventories	216,335.15	170,813.03
Fixed assets	53,610.00	53,398.71
Intangible assets	350,290.00	
Construction in progress	2,262,737.97	2,259,377.00
Other non-current assets	208,000.00	208,000.00
Less: payables	1,352,924.36	1,352,924.36
Employee compensation payable	27,346.00	27,346.00
Taxes and surcharges payable	482.91	482.91
Other payables	21,084.80	21,084.80
Deferred tax liabilities	99,846.10	
Net assets	2,058,548.61	1,759,010.33
Less: minority interests		
Net assets acquired	2,058,548.61	1,759,010.33

The Company adopts valuation techniques to determine the fair value of Ruishi Sensing's assets and liabilities on the acquisition date. Appraisal method of main assets: asset-based method.

(II) Disposal of subsidiaries

1. Single disposal of subsidiary investment resulting in loss of control

Name of subsidiaries	Equity disposal price	Proportion of equity disposal *(%)*	Equity disposal method	Time point of loss of control	Basis for determining the time point of loss of control	The difference between the disposal price and the net asset share of the subsidiary at the consolidated financial statements level corresponding to the disposal investment
Changzhou Huaxuan Sensing Technology Co., Ltd.	255,451,700.00	51.09	Transfer	2022/10/6	Transfer of right of control	224,855,189.97

Continued:

Name of subsidiaries	Proportion of remaining equity on the date of loss of control *(%)*	Book value of the remaining equity on the date of loss of control	Fair value of the remaining equity on the date of loss of control	Gains or losses arising from remeasurement of remaining equity at fair value	Determination method and main assumptions of the fair value of the remaining equity on the date of loss of control	Amount of other comprehensive income related to the original equity investments in subsidiaries transferred to investment profit or loss
Changzhou Huaxuan Sensing Technology Co., Ltd.						

On September 15, 2022, the Company signed an Equity Transfer Agreement with Changzhou Huaxuan and eight shareholders, including Lianyungang Zhirong Fanghua Equity Investment Partnership (Limited Partnership), Jiaxing Hongde Huiquan Equity Investment Partnership (Limited Partnership), Suzhou Juhe Pengfei Venture Capital Partnership (Limited Partnership), Nanjing Jinpu Xinchao Jixiang Venture Capital Partnership (Limited Partnership), Shanghai Anjie Chengzhi Enterprise Management Partnership (Limited Partnership), Beijing Chuangxin Heima Investment Management Partnership (Limited Partnership), Suzhou Wofu Ruixin Venture Capital Partnership (Limited Partnership), Jiaxing Wofu Huizhen Equity Investment Partnership (Limited Partnership). Under the agreement, the Company transferred 51.09% of the equity of Changzhou Huaxuan held by the Company to the above 8 transferees at a price of RMB255,451,700.00.

VII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. Structure of the enterprise group

Name of subsidiaries	Main place of business	Registration place	Business nature	Shareholding ratio % Direct	Indirect	Method of acquisition
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	Yangzhou, Jiangsu	Yangzhou, Jiangsu	Manufacturing	51.00		Establishment by investment
Yantai Olive Pipeline Co., Ltd.	Yantai, Shandong	Yantai, Shandong	Manufacturing	100.00		Establishment by investment
Wuhan Olive Auto Parts Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Manufacturing	100.00		Establishment by investment
Olive (Europe) Holdings S.à r.l.	Luxembourg	Luxembourg	Investment	100.00		Establishment by investment
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	Yangzhou, Jiangsu	Yangzhou, Jiangsu	Manufacturing	55.00		Establishment by investment
Kunshan Olive Auto Parts Co., Ltd.	Kunshan, Jiangsu	Kunshan, Jiangsu	Manufacturing	51.00		Acquisition by business combination not under common control
Jiangsu Ruishi Sensing Technology Co., Ltd.	Yangzhou, Jiangsu	Yangzhou, Jiangsu	R&D	100.00		Acquisition by business combination not under common control

2. Major non-wholly-owned subsidiaries

Name of subsidiaries	Shareholding ratio of minority shareholders *(%)*	Profit or loss attributable to minority shareholders of the current period	Dividends declared to be distributed to minority shareholders in the current period	Ending balance of minority interests	Remark
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	49.00	30,476,802.12	17,397,524.22	112,108,288.30	

3. Main financial information of major non-wholly-owned subsidiaries

Unit: RMB

Name of subsidiaries	Ending balance						Amount in the current period			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	259,786,865.14	27,803,456.37	287,590,321.51	49,460,697.04	9,337,199.37	58,797,896.41	281,114,530.71	62,197,555.34	62,197,555.34	42,656,618.28

Continued:

Name of subsidiaries	Beginning balance						Amount in the previous period			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	212,946,367.19	25,198,300.56	238,144,667.75	30,942,008.92	5,102,637.61	36,044,646.53	240,267,317.87	71,010,302.92	71,010,302.92	59,319,081.89

(II) Equity in joint ventures or associates

1. Significant joint ventures or associates

Name of joint ventures or associates	Main place of business	Registration place	Business nature	Shareholding ratio (%) Direct	Shareholding ratio (%) Indirect	Accounting treatment
Schürholz GmbH	Germany	Germany	Investment		32.00	Equity method
Schürholz GmbH & Co. KG Stanztechnik	Germany	Germany	Processing and manufacturing		32.00	Equity method
Schürholz Polska Sp z o.o.	Poland	Poland	Processing and manufacturing		32.01	Equity method

2. Main financial information of important associates

Item	Amount at the end of the period/Amount incurred in the current period Schürholz GmbH	Schürholz GmbH & Co. KG Stanztechnik	Schürholz Polska Sp z o.o.
Current assets	742,639.47	184,775,526.76	56,582,751.39
Non-current assets		47,373,766.99	56,120,199.98
Total assets	742,639.47	232,149,293.75	112,702,951.37
Current liabilities	458,948.11	174,119,486.76	74,291,282.07
Non-current liabilities			
Total liabilities	458,948.11	174,119,486.76	74,291,282.07
Minority interests			
Equity attributable to shareholders of the parent company	283,691.36	58,029,806.99	38,411,669.30
Net asset share calculated based on shareholding ratio	90,781.25	18,569,538.24	12,295,575.34
Adjusted matters		27,835,875.00	
– Goodwill		27,400,500.00	
– Impact of translation of foreign currency statements on goodwill		435,375.00	
Book value of equity investments in associates	90,781.25	46,405,413.24	12,295,575.34
Fair value of equity investments with public offers			
Operating revenue		505,553,618.58	113,490,833.83
Net profit	17,173.65	11,289,256.22	260,051.26
Other comprehensive income	7,527.65	-5,800,030.44	387,332.11
Total comprehensive income	24,701.30	5,489,225.78	647,383.37
Dividends received from associates by the enterprise in the current period		3,660,650.00	

Continued:

Item	Amount at the beginning of the period/amount incurred in previous period Schürholz GmbH	Schürholz GmbH & Co. KG Stanztechnik	Schürholz Polska Sp z o.o.
Current assets	681,986.51	178,573,610.74	48,054,184.80
Non-current assets	1,679.23	52,810,594.42	46,937,587.37
Total assets	683,665.74	231,384,205.16	94,991,772.17
Current liabilities	424,675.68	177,726,097.30	57,226,162.44
Non-current liabilities			1,323.80
Total liabilities	424,675.68	177,726,097.30	57,227,486.24
Minority interests			
Equity attributable to shareholders of the parent company	258,990.06	53,658,107.86	37,764,285.93
Net asset share calculated based on shareholding ratio	82,876.81	17,170,594.54	12,088,347.94
Adjusted matters		27,073,875.00	
– Goodwill		27,400,500.00	
– Impact of translation of foreign currency statements on goodwill		-326,625.00	
Book value of equity investments in associates	82,876.81	44,244,469.54	12,088,347.94

Item	Amount at the beginning of the period/amount incurred in previous period Schürholz GmbH	Schürholz GmbH & Co. KG Stanztechnik	Schürholz Polska Sp z o.o.
Fair value of equity investments with public offers			
Operating revenue		459,208,113.54	91,421,239.46
Net profit	13,571.07	14,663,311.20	3,032,369.47
Other comprehensive income	-28,171.40	-2,124,929.07	-4,154,431.14
Total comprehensive income	-14,600.33	12,538,382.13	-1,122,061.67
Dividends received from associates by the enterprise in the current period			

3. Unrecognized commitments related to joint venture investments

The Company has no unrecognized commitments related to joint venture investments required to be disclosed.

4. Contingent liabilities related to investment in joint ventures or associates

The Company has no contingent liabilities related to investment in joint ventures or associates required to be disclosed.

VIII. DISCLOSURE OF RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include monetary funds, equity investments, debt investments, borrowings, accounts receivable, payables and convertible bonds. In daily activities, it is exposed to various financial instruments, mainly including credit risk, liquidity risk and market risk. The risks associated with these financial instruments and the risk management policy adopted by the Company to reduce these risks are described below:

The Board of Directors is responsible for planning and establishing the risk management structure of the Company, formulating the risk management policy and related guidelines of the Company and supervising the implementation of risk management measures. The Company has established risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's operating activities to determine whether to update the risk management policy and system. The risk management of the Company is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The internal audit department of the Company conducts regular audits on risk management controls and procedures, and reports the audit results to the audit committee of the Company. The Company diversifies financial instruments risks through appropriate diversification of investments and business portfolios, and reduces risks concentrated in a single industry, specific region or specific counterparty by formulating corresponding risk management policy.

(I) Credit risk

Credit risk refers to the risk that the Company will incur financial losses due to the failure of the counterparty to fulfill its contractual obligations. The management has formulated appropriate credit policies and continuously monitors the exposure of these credit risks.

The Company has adopted a policy of only dealing with creditworthy counterparties. In addition, the Company evaluates the credit qualifications of customers and sets corresponding credit periods based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as the current market conditions. The Company continuously monitors the balance and recovery of notes receivable, accounts receivable and contract assets. For customers with poor credit records, the Company will use written reminders, shorten the credit period or cancel the credit period to ensure that the Company will not face significant credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that the relevant financial assets have made adequate provision for expected credit losses.

The Company's other financial assets include monetary funds, other receivables, debt investments, etc. The credit risk of these financial assets arises from the default of the counterparty, and the maximum credit risk exposure is the book value of each financial asset (including derivative financial instruments) in the balance sheet.

The monetary funds held by the Company are primarily deposited in financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management considers these commercial banks to have high creditworthiness and sound asset conditions, with no significant credit risks, and thus no material losses are expected to arise from counterparty defaults. The Company's policy is to control the amount of deposits held with each well-known financial institution based on its market reputation, size of operation and financial background, so as to limit the amount of credit risk to any single financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and considers the current and future economic conditions to adjust the expected loss rate, such as the national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information. For contract assets and long-term receivables, the Company reasonably assesses expected credit losses by comprehensively considering factors such as the settlement period, contractual payment period, the financial condition of debtors, and the economic conditions of the industries in which debtors operate, and adjusting for the above forward-looking information.

As of December 31, 2022, the book balance and expected credit impairment loss of the relevant assets are as follows:

Item	**Book balance**	**Provisions for impairment**
Notes receivable	108,677,013.54	
Accounts receivable	304,213,996.65	16,143,537.84
Other receivables	11,928,752.13	633,895.29
Total	424,819,762.32	16,777,433.13

The Company's main customers are complete vehicle manufacturers or auto suppliers with reliable and good reputation. Therefore, the Company believes that these customers have no major credit risk. Due to the wide range of customers of the Company, there was no significant credit concentration risk.

(II) Liquidity risk

Liquidity risk refers to the risk of shortage of funds when the Company fulfills its obligations to settle by delivery of cash or other financial assets. The member enterprises under the Company are responsible for their own cash flows forecast. The financial department under the Company continuously monitors the short-term and long-term capital requirements of the Company at the company level based on the cash flow forecast results of each member enterprise to ensure that sufficient cash reserves are maintained; at the same time, it has continuously monitored whether the provisions of the borrowing agreement are met, and obtain commitments from major financial institutions to provide sufficient standby funds to meet the needs of short-term and long-term funding. In addition, the Company enters into a credit line facility agreement with its principal correspondent bank to support the Company's performance of its obligations in relation to commercial paper.

As of December 31, 2022, the Company's financial assets and financial liabilities are presented by maturity date based on undiscounted contractual cash flows as follows:

		Ending balance	
Item	**Immediate repayment**	**Within 1 year**	**Total**
Short-term borrowings		159,000,000.00	159,000,000.00
Notes payable		10,850,128.80	10,850,128.80
Payables		149,182,955.73	149,182,955.73
Other payables		4,999,946.65	4,999,946.65
Other current liabilities		79,567.02	79,567.02
Subtotal of non-derivative financial liabilities		324,112,598.20	324,112,598.20
Total		324,112,598.20	324,112,598.20

Continued:

Item	Immediate repayment	Beginning balance Within 1 year	Total
Short-term borrowings		150,000,000.00	150,000,000.00
Notes payable		16,523,731.15	16,523,731.15
Payables		146,348,012.36	146,348,012.36
Other payables		1,468,981.38	1,468,981.38
Other current liabilities		107,602.13	107,602.13
Subtotal of non-derivative financial liabilities		314,448,327.02	314,448,327.02
Total		314,448,327.02	314,448,327.02

(III) Market risk

1. Exchange rate risk

The Company's main business is located in China, and its main business is settled in RMB. However, there are still exchange rate risks for the Company's recognized foreign currency assets and liabilities and future foreign currency transactions (the valuation currencies of foreign currency assets and liabilities and foreign currency transactions are mainly USD and EUR). The Company's finance department is responsible for monitoring the scale of the Company's foreign currency transactions and foreign currency assets and liabilities to minimize the exchange rate risk it faces; to this end, the Company may sign forward exchange contracts or currency swap contracts to avoid exchange rate risks.

(1) The Company did not enter into any forward exchange contracts or currency swap contracts during the year.

(2) As of December 31, 2022, the amount of foreign-currency financial assets and foreign-currency financial liabilities held by the Company converted into RMB is presented as follows:

		Ending balance	
Item	**USD**	**EUR**	**Total**
Foreign-currency financial assets:			
Monetary funds	3,016,904.05	9,543,150.07	12,560,054.12
Accounts receivable	5,446,013.46	8,914,923.42	14,360,936.88
Other receivables		10,258,938.15	10,258,938.15
Sub-total	8,462,917.51	28,717,011.64	37,179,929.15
Foreign-currency financial liabilities:			
Accounts payable	1,165,896.33	863,322.03	2,029,218.36
Sub-total	1,165,896.33	863,322.03	2,029,218.36

Continued:

		Beginning balance	
Item	**USD**	**EUR**	**Total**
Foreign-currency financial assets:			
Monetary funds	1,559,366.03	3,566,186.48	5,125,552.51
Accounts receivable	4,799,174.40	3,553,636.70	8,352,811.10
Other receivables		11,115,734.86	11,115,734.86
Sub-total	6,358,540.43	18,235,558.04	24,594,098.47
Foreign-currency financial liabilities:			
Accounts payable	213,646.32	106,221.49	319,867.81
Other foreign currency items		34,814.84	34,814.84
Sub-total	213,646.32	141,036.33	354,682.65

(3) Sensitivity analysis

As of December 31, 2022, for the Company's USD- and EUR-denominated financial assets and financial liabilities, a 10% appreciation or depreciation of the RMB against the USD and EUR, with all other factors held constant, would result in a decrease or increase in net profit of approximately RMB3,515,071.08 (approximately RMB2,423,941.58 for 2021).

2. Interest rate risk

The Company's interest rate risk mainly arises from bank borrowings, etc. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed interest rate and floating interest rate contracts according to the market environment at that time.

The finance department of the Company continuously monitors the interest rate level of the Company. Rising interest rates will increase the cost of new interest-bearing debt and the interest expense of the Company's outstanding interest-bearing debt with floating interest rates, and have a significant adverse impact on the Company's financial performance. The management will make timely adjustments based on the latest market conditions, which may be interest rate swap arrangements to reduce interest rate risk.

(1) The Company had no interest rate swap arrangement during the year.

IX. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the book value of financial assets instruments measured at fair value as of December 31, 2022 by three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level of the three levels to which each significant input used in the measurement at fair value belongs. The three levels are defined as follows:

Level 1: the unadjusted quoted price in the active market for the same asset or liability that is obtainable on the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the relevant asset or liability;

Level 2 inputs includes: 1) the quoted price of similar assets or liabilities in the active market; 2) Quoted prices for identical or similar assets or liabilities in non-active markets; 3) Other observable inputs other than quoted prices, including interest rate and yield curves, implied volatility and credit spreads that are observable during the normal interval of quoted prices; 4) Inputs verified by the market, etc.

Level 3: unobservable inputs of the relevant assets or liabilities.

(II) Measured at fair value at the end of the period

1. Continuous measurement at fair value

	Fair value as at the end of the period			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
Subtotal of financial assets measured at fair value through current profit or loss		696,420,161.11	250,000,000.00	946,420,161.11
Investments in debt instruments			250,000,000.00	250,000,000.00
Others		696,420,161.11		696,420,161.11
Subtotal of other non-current financial assets			49,320,000.00	49,320,000.00
Investments in equity instruments			49,320,000.00	49,320,000.00
Total assets		696,420,161.11	299,320,000.00	995,740,161.11

(III) For items measured at fair value on a continuous basis, if there is a conversion between different levels within the current period, the reason for the conversion and the policy for determining the time point of the conversion

The above-mentioned continuous items measured at fair value of the Company did not have any conversion between levels during the year.

(IV) Changes in valuation techniques and reasons for the change in the current period

The fair value valuation techniques of the Company's financial instruments have not changed during the year.

(V) Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term borrowings, payables, non-current liabilities and long-term borrowings maturing within one year, and investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured.

The difference between the book value and fair value of the above financial assets and liabilities not measured at fair value is small.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Actual controller of the Company

Actual controller	Registration place	Business nature	ID No.	Shareholding ratio of the Company (%)	Ratio of voting right in the Company (%)
Li Hongqing	Room 274, Jinyangyuan, No. 48 Jiangyang West Road, Hanjiang District, Yangzhou City, Jiangsu Province	Natural person	321027XXXXXXXX3058	36.78	36.78

(II) For details of the Company's subsidiaries, please refer to Note VII (I) Equity in subsidiaries

(III) Joint ventures and associates of the Company

For details of the Company's significant joint ventures or associates, please refer to Note VII (II) Equity in joint venture arrangements or associates.

Other joint ventures or associates that have related party transactions with the Company in the current period, or have related party transactions with the Company in the previous period to form balances are as follows:

Name of joint venture or associate	Relationship with the Company
Schürholz GmbH	Associate
Schürholz GmbH & Co. KG Stanztechnik	Associate
Schürholz Polska Sp z o.o.	Associate

(IV) Other related parties

Other related parties	Relationships between other related parties and the Company
Teng Fei	Shareholders, directors and senior officers who are natural persons
Fang Tailang	Director and senior officer
Li Jiawen	Director
Kong Youtian	CFO
Tang Biao	Former independent director
Zhang Bin	Former independent director
Yu Ping	Independent director
Pan Chuanqi	Independent director
Dai Zhaoxi	Senior officer
Qiao Kang	Senior officer
Wuxi Longway Technology Co., Ltd.	Joint-stock companies of the Company

(V) Related party transactions

1. For subsidiaries under common control that are included in the Company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.

2. Purchase of goods and receipt of labor service

Related party	Related party transactions	Amount in the current period	Amount in the previous period
Schürholz GmbH & Co. KG Stanztechnik	Materials	11,066.71	432,636.70
Schürholz GmbH & Co. KG Stanztechnik	Products	244,647.77	675,062.40
Schürholz GmbH & Co. KG Stanztechnik	Molds	2,403,627.53	4,801,387.09
Schürholz GmbH & Co. KG Stanztechnik	Labor services	587,073.52	665,205.80
Wuxi Longway Technology Co., Ltd.	Products	10,296,845.66	807,884.76
Total		13,543,261.19	7,382,176.75

3. Sales of goods and rendering of labor service

Related party	Related party transactions	Amount in the current period	Amount in the previous period
Schürholz GmbH & Co. KG Stanztechnik	Materials	544.49	35,312.22
Schürholz GmbH & Co. KG Stanztechnik	Products	7,564,604.72	6,724,664.87
Total		7,565,149.21	6,759,977.09

4. Related party guarantees

(1) The Company as the guaranteed party

Guarantor	**Guarantee amount** *(RMB10,000)*	**Start date of guarantee**	**Maturity date of guarantee**	**Whether the guarantee has been fulfilled**
Li Hongqing	7,000.00	July 23, 2021	July 22, 2022	Yes
Li Hongqing	7,000.00	July 26, 2022	July 24, 2023	No
Li Hongqing	4,900.00	September 6, 2022	September 6, 2023	No
Total	18,900.00			

(1) On July 23, 2021, Li Hongqing, the actual controller of the Company, signed a Guarantee Contract with Agricultural Bank of China Limited Yangzhou Hanjiang Sub-branch, to provide guarantee for the Company's loan of RMB70 million from Agricultural Bank of China Limited Yangzhou Hanjiang Sub-branch.

(2) On July 25, 2022, Li Hongqing, the actual controller of the Company, signed a Guarantee Contract with Agricultural Bank of China Limited Yangzhou Hanjiang Sub-branch, to provide guarantee for the Company's loan of RMB70 million from Agricultural Bank of China Limited Yangzhou Hanjiang Sub-branch.

(3) On August 30, 2022, Li Hongqing, the actual controller of the Company, signed a Guarantee Contract with Industrial and Commercial Bank of China Limited Yangzhou Hanjiang Sub-branch, to provide guarantee for the Company's loan of RMB49 million from the Industrial and Commercial Bank of China Limited Yangzhou Hanjiang Sub-branch.

5. Remuneration of key officers

Related party	**Amount in the current period**	**Amount in the previous period**
Remuneration of key officers	3,263,134.53	3,785,461.95

6. Other related party transactions

Transaction type	**Name of related party**	**Amount in the current period**	**Amount in the previous period**	**Pricing method and decision-making procedure**
Fund occupation fee	Schürholz GmbH & Co. KG Stanztechnik	200,446.94	163,076.44	Agreement
Total		200,446.94	163,076.44	

7. Receivables from and payables to related parties

(1) The Company's receivables from related parties

	Ending balance		**Beginning balance**	
Related party	**Book balance**	**Provision for bad debts**	**Book balance**	**Provision for bad debts**
Accounts receivable	5,612,004.34	280,600.22	2,436,374.55	121,818.73
Schürholz GmbH & Co. KG Stanztechnik	5,612,004.34	280,600.22	2,436,374.55	121,818.73

	Ending balance		Beginning balance	
Related party	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	10,258,938.15		11,115,734.86	
Schürholz GmbH & Co. KG Stanztechnik	9,474,740.02		10,550,669.23	
Schürholz GmbH & Co. KG Stanztechnik	784,198.13		565,065.63	
Total	15,870,942.49	280,600.22	13,552,109.41	121,818.73

(2) The Company's payables to related parties

Related party	Ending balance	Beginning balance
Accounts payable	4,240,344.72	758,884.76
Wuxi Longway Technology Co., Ltd.	4,240,344.72	758,884.76
Total	4,240,344.72	758,884.76

XI. SHARE-BASED PAYMENTS

(I) Overview of share-based payments

Total amount of equity instruments granted by the Company in the current period	37,541,540.00
Total amount of equity instruments exercised by the Company in the current period	276,540.00
Exercise price range and remaining contract period of the Company's outstanding stock options at the end of the period	
Exercise price range and remaining contract period of other equity instruments issued by the Company at the end of the period	

(II) Equity-settled share-based payment

Determination method of the fair value of equity instruments on the grant date	Fair value of the restricted shares on the grant date = closing price of the stock on the grant date – grant price
Determination basis of the number of exercisable equity instrument	It is determined by multiplying the base number of restricted shares granted by the corporate performance coefficient and individual performance coefficient for the corresponding year
Reasons for the significant difference between the current period estimate and the previous estimate	None
Cumulative amount of equity-settled share-based payments included in capital reserves	1,480,248.61
Total expenses recognized for equity-settled share-based payments in the current period	1,480,248.61

1. The Company's 2018 Restricted Stock Incentive Plan

(1) Summary of the Company's restricted shares plan

On March 26, 2018, the Company held the 11th meeting of the 3rd Board of Directors; on April 18, 2018, the Company held the 2017 annual general meeting, and reviewed and approved the 2018 Restricted Stock Incentive Plan of Jiangsu Olive Sensors High-tech Corporation Limited (Draft); and on May 10, 2018, the Company held the 13th meeting of the 3rd Board of Directors, and reviewed and approved the Proposal on Adjusting the Grant Price, List of Incentive Objects, and Grant Quantity under the 2018 Restricted Stock Incentive Plan and the Proposal on Granting Restricted Shares to Incentive Objects. Under the plan, the Company proposed to grant 2.336 million restricted shares to incentive objects, of which 2.226 million shares would be initially granted at RMB13.13 per share; on December 20, 2018, the Company held the 17th meeting of the 3rd Board of Directors, and reviewed and approved the Proposal on Granting Reserved Restricted Shares to Incentive Objects. Under the plan, the Company proposed to grant 110,000 reserved restricted shares at a grant price of RMB9.11 per share. The source of the incentive plan's shares was the private placement of RMB-denominated A-share common stock to the grantees.

On May 10, 2018, the Company granted 2.226 million restricted shares to 141 incentive objects, including directors, senior officers, middle-level and above officers and core business personnel of the Company and its subsidiaries, with the grant date being the same day. The granted shares were registered with Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on June 6, 2018.

On December 20, 2018, the Company granted 110,000 reserved restricted shares to 1 incentive object, with the grant date being the same day. The granted shares were registered with Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on January 21, 2019.

(2) The main parameters for determining the fair value of equity instruments on the grant date are as follows:

Item	**Restricted shares for the initial grant**	**Reserved restricted shares**	**Remark**
Grant date	May 20, 2018	December 20, 2018	
Stock price on the authorization date (RMB/share)	29.17	17.49	Closing price on grant date
Grant price (RMB/share)	13.13	9.11	Approved by the Board of Directors

At the end of the reporting period, the Company's 2018 Restricted Stock Incentive Plan had been completed.

2. The Company's 2022 Restricted Stock Incentive Plan

(1) Summary of the Company's restricted shares plan

The 2022 Restricted Stock Incentive Plan (Draft) of Jiangsu Olive Sensors High-tech Corporation Limited was reviewed and approved at the 23rd Meeting of the 4th Board of Directors held by the Company on October 20, 2022, the 3rd Extraordinary General Meeting of 2022 held on November 9, 2022. The Proposal on Adjusting the List of the Initial Grant of Incentive Objects and the Number of Grants under the 2022 Restricted Stock Incentive Plan and the Proposal on Granting Restricted Shares to Incentive Objects was reviewed and approved at the 25th Meeting of the 4th Board of Directors held on December 9, 2022. The Company intends to grant 14.85 million restricted shares to the incentive objects, including 12.85 million shares for the initial grant at a price of RMB3.13 per share, with the grant date being December 9, 2022, and 2 million shares for the reserved part. The stock source of the incentive plan is the RMB A-share ordinary shares issued to the incentive object in a targeted way.

On December 9, 2022, the Company granted 12.85 million restricted shares to 48 incentive objects, including the Company's directors, senior officers, middle and senior officers of the departments, core officers and other employees deemed by the Company as having a direct impact on its operational performance and future development, with the grant date being the same day.

The restriction release periods and corresponding schedule for the restricted shares for initial grant are shown in the following table:

Unlocking arrangement	Unlocking time	Unlocking ratio
First vesting	From the first trading day after 12 months from the initial grant date to the last trading day within 24 months from the grant date	40%
Second vesting	From the first trading day after 24 months from the initial grant date to the last trading day within 36 months from the grant date	30%
Third vesting	From the first trading day after 36 months from the initial grant date to the last trading day within 48 months from the grant date	30%

The reserved restricted shares have not been granted, and the restriction release periods and the corresponding schedule are shown in the following table:

Unlocking arrangement	Unlocking time	Unlocking ratio
First vesting	From the first trading day after 12 months from the grant date of the reserved part to the last trading day within 24 months from the grant date of the reserved part	50%
Second vesting	From the first trading day after 24 months from the grant date of the reserved part to the last trading day within 36 months from the grant date of the reserved part	50%

Conditions for unlocking restricted shares:

1) Unlocking conditions on the Company's performance

The performance assessment of this incentive plan covers three accounting years from 2023 to 2025, and the assessment will be conducted once each year. Achievement of performance assessment objectives is one of the vesting conditions for restricted shares. The performance assessment objectives for the restricted shares for initial grant under the incentive plan for each year are shown in the following table:

Batch	Vesting period	Performance assessment objectives
Initial grant	The first vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2023 shall not be lower than 15%
	The second vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2024 shall not be lower than 30%
	The third vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2025 shall not be lower than 45%
Reserved shares	The first vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2024 shall not be lower than 30%
	The second vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2025 shall not be lower than 45%

If the Company fails to meet the above performance assessment objectives, all restricted shares eligible for release during the assessment year shall not be released, and shall be repurchased and canceled by the Company. The repurchase price shall be the sum of the grant price and the interest from bank deposits of the same period.

2) Performance appraisal requirements for individual incentive object

The individual-level performance appraisal of incentive objects shall be implemented in accordance with the Company's existing regulations on compensation and assessment, and the number of shares actually vested in each object shall be determined based on their assessment results. The performance appraisal results of the incentive objects are divided into four grades: A, B+, B and C, and the Appraisal and Evaluation Form is applicable to the appraised objects. At that time, the number of shares actually owned by the incentive objects will be determined according to the following table:

Assessment result	**A**	**B+**	**B**	**C**
Individual vesting ratio (N)	100%	100%	80%	0

If the Company's performance assessment objectives are achieved, the number of restricted shares actually vested to the incentive object in the current year = the number of shares planned to be vested to the individual in the current year × individual vesting ratio (N). If the restricted shares to be vested to the incentive objects in the current period cannot be vested partially or wholly due to the assessment, they will be invalid and cannot be deferred to future years.

(2) The main parameters for determining the fair value of equity instruments on the grant date are as follows:

Item	**Restricted shares for the initial grant**	**Reserved restricted shares**	**Remark**
Grant date	December 9, 2022		
Stock price on the authorization date (RMB/share)	6.03		Closing price on grant date
Grant price (RMB/share)	3.13		Approved by the Board of Directors

XII. COMMITMENTS AND CONTINGENCIES

(I) Major commitments

1. Other significant financial commitments

See Note 53 to Note V for details of the Company's assets mortgage and pledge.

Except for the above commitments, as of December 31, 2022, the Company has no other major commitments required to be disclosed.

(II) Contingencies on the balance sheet date

1. Contingencies arising from pending litigation or arbitration and their financial impact

The Company has been sued by a third party in relation to disputes arising from investment losses incurred in securities trading, with a claimed amount of RMB69,707.26. As of the approval date of the financial statements, the case was under trial.

Except for the above contingencies, as of December 31, 2022, the Company has no other major contingencies required to be disclosed.

XIII. POST BALANCE SHEET EVENTS

(I) Significant non-adjusting events

On February 16, 2023, the Company held the 2nd meeting of the 5th Board of Directors and the 2nd meeting of the 5th Board of Supervisors, and reviewed and approved the Proposal on the Acquisition of 37.5% Equity of Bonaire Automotive Electrical Systems Co., Ltd. Based on the valuation of 37.5% equity of Bonaire Automotive Electrical Systems Co., Ltd. (hereinafter referred to as "Bonaire"), after deducting the profits of RMB7.5 million of the target company that has been distributed and obtained by Hanon Systems (hereinafter referred to as "Hanon"), the Company proposed to acquire 37.5% equity of the target company held by Hanon at a price of RMB161.25 million.

On February 17, 2023, the Company signed an Equity Transfer Contract with Hanon, agreeing to acquire 37.5% equity of Bonaire at a transaction consideration of RMB161.25 million. Bonaire handled the registration of industrial and commercial changes on March 20, 2023, and on April 11, 2023, the Company completed the payment of equity transfer price.

(II) Profit distribution

Profit or dividend to be distributed	94,983,468.84
Profit or dividend declared to be granted upon deliberation and approval	

The Company held the 3rd meeting of the 5th Board of Directors on April 20, 2023, and approved the Company's profit distribution plan for 2022 at the meeting. The Company will distribute a cash dividend of RMB1.2 per 10 shares (tax inclusive) to all shareholders based on the total share capital of 791,528,907 shares, with no bonus shares to be issued.

The plan is subject to the consideration and approval at the Company's 2022 annual general meeting.

Except for the above post balance sheet events, as of the date of approval of the financial report, the Company has no other major post balance sheet events required to be disclosed.

XIV. NOTES TO OTHER IMPORTANT MATTERS

(I) Accounting errors in prior periods

1. Retrospective restatement method

No prior errors using retrospective restatement method were found during the reporting period.

2. Prospective application method

No accounting errors in prior periods with prospective application method were found during the reporting period.

(II) Segment information

The Company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The operating segments of the Company refer to components that meet the following conditions at the same time:

(1) The component is able to generate revenue and incur expenses in daily activities;

(2) The management can regularly evaluate the operating results of the component to decide its resources allocation and evaluate its performance;

(3) The relevant accounting information such as the financial status, operating results and cash flows of the component can be obtained.

The Company determines the reporting segments on the basis of operating segments, and the operating segments meeting one of the following conditions are determined as the reporting segments:

(1) The segment revenue of the operating segment accounts for 10% or more of the total revenue of all segments;

(2) The absolute amount of the segment's profit (or loss) accounts for 10% or more of the greater of the total profit of all profit-making segments or the total loss of all loss-making operating segments.

The Company operates in a single business segment, primarily engaged in the production of sensors, fuel system accessories, interior trim parts and other auto parts. The management manages and evaluates operational results as a single integrated unit. Therefore, the financial statements do not report segment information.

XV. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 1. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Ending balance	Beginning balance
Within 1 year	229,331,309.91	213,797,665.83
1-2 years	266,622.61	432,456.61
2-3 years	165,124.52	187,439.76
3-4 years	170,951.25	584,149.80
4-5 years	584,149.80	194,844.43
Over 5 years	19,066.05	7,955.24
Sub-total	230,537,224.14	215,204,511.67
Less: provision for bad debts	12,216,130.18	11,419,110.84
Total	218,321,093.96	203,785,400.83

2. Disclosure by method for provision for bad debts

	Ending balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Accounts receivable with provision for bad debts made on an individual basis	899,394.84	0.39	899,394.84	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	229,637,829.30	99.61	11,316,735.34	4.93	218,321,093.96
Including: aging portfolio	225,623,238.18	97.87	11,316,735.34	5.02	214,306,502.84
Related parties within the consolidation scope	4,014,591.12	1.74			4,014,591.12
Total	230,537,224.14	100.00	12,216,130.18		218,321,093.96

Continued:

Type	Beginning balance Book balance Amount	 Ratio *(%)*	 Provision for bad debts Amount	 Provision ratio *(%)*	 Book value
Accounts receivable with provision for bad debts made on an individual basis	580,800.00	0.27	580,800.00	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	214,623,711.67	99.73	10,838,310.84	5.05	203,785,400.83
Including: aging portfolio	213,836,543.20	99.36	10,838,310.84	5.07	202,998,232.36
Related parties within the consolidation scope	787,168.47	0.37			787,168.47
Total	215,204,511.67	100.00	11,419,110.84		203,785,400.83

3. *Accounts receivable with provision for bad debts made on an individual basis*

Entity name	Ending balance Book balance	 Provision for bad debts	 Provision ratio *(%)*	 Reasons for provision
Shanghai Eastone Automotive Technology Co., Ltd.	580,800.00	580,800.00	100.00	Refusal to execute repayment after mediation
Beijing Borgward Automotive Co., Ltd.	318,594.84	318,594.84	100.00	The Company declares bankruptcy
Total	899,394.84	899,394.84		

4. *Accounts receivable with provision for bad debts accrued on a portfolio basis*

(1) Aging portfolio

Aging	Ending balance Book balance	 Provision for bad debts	 Provision ratio *(%)*
Within 1 year	225,316,718.79	11,265,835.94	5.00
1-2 years	266,622.61	26,662.26	10.00
2-3 years	17,480.93	3,496.19	20.00
4-5 years	3,349.80	1,674.90	50.00
Over 5 years	19,066.05	19,066.05	100.00
Total	225,623,238.18	11,316,735.34	

(2) Portfolio of related parties within the consolidation scope

Item	Ending balance Book balance	 Provision for bad debts	 Provision ratio *(%)*
Related parties within the consolidation scope	4,014,591.12		
Total	4,014,591.12		

5. Provision for bad debts accrued, recovered or reversed in the current period

Type	Beginning balance	Changes in the current period Provision	Recovery or reversal	Write-off	Other changes	Ending balance
Accounts receivable with provision for bad debts made on an individual basis	580,800.00	318,594.84				899,394.84
Accounts receivable with provision for bad debts accrued on a portfolio basis	10,838,310.84	478,424.50				11,316,735.34
Including: aging portfolio	10,838,310.84	478,424.50				11,316,735.34
Total	11,419,110.84	797,019.34				12,216,130.18

6. There were no accounts receivable actually written off during the reporting period

7. Top five accounts receivable in terms of ending balance collected by the debtor

Entity name	Ending balance	Proportion in the ending balance of accounts receivable (%)	Provision for bad debts made
YAPP Automotive Systems Co., Ltd.	33,961,421.96	14.73	1,698,071.10
United Automotive Electronic Systems Co., Ltd.	21,713,081.30	9.42	1,085,654.07
Chongqing Dajiang YAPP Automotive Systems Co., Ltd.	20,248,084.55	8.78	1,012,404.23
SAIC General Motors Corporation Limited	16,968,311.92	7.36	848,415.60
Chongqing Wanlition Industry (Group) Co., Ltd.	14,138,125.88	6.13	706,906.29
Total	107,029,025.61	46.42	5,351,451.29

Note 2. Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable	6,000,000.00	
Other receivables	17,027,918.52	16,867,194.29
Total	23,027,918.52	16,867,194.29

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

(I) Dividends receivable

Investee	Ending balance	Beginning balance
Yantai Olive Pipeline Co., Ltd.	6,000,000.00	
Total	6,000,000.00	

As of December 31, 2022, the Company believes that there is no need to make provision for expected credit impairment on the dividends receivable.

(II) Other receivables

1. Disclosure of other receivables by aging

Aging	Ending balance	Beginning balance
Within 1 year	1,951,600.60	2,329,565.70
1-2 years	1,769,185.70	1,008,327.99
2-3 years	1,008,327.99	882,300.00
3-4 years	882,300.00	3,979,618.41
4-5 years	3,979,618.41	9,081,386.47
Over 5 years	7,890,152.13	4,384.00
Sub-total	17,481,184.83	17,285,582.57
Less: provision for bad debts	453,266.31	418,388.28
Total	17,027,918.52	16,867,194.29

2. Classification by nature of payment

Nature of payment	Ending balance	Beginning balance
Guarantee deposit and deposits	800,000.00	802,500.00
Petty cash	26,500.00	55,884.00
Related party funds	16,250,949.95	16,091,408.29
Others	403,734.88	335,790.28
Sub-total	17,481,184.83	17,285,582.57
Less: provision for bad debts	453,266.31	418,388.28
Total	17,027,918.52	16,867,194.29

3. Disclosure by three stages of impairment of financial assets

	Ending balance			Beginning balance		
Item	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
First stage	16,250,949.95		16,250,949.95	16,091,408.29		16,091,408.29
Second stage	952,324.60	175,356.03	776,968.57	916,264.00	140,478.00	775,786.00
Third stage	277,910.28		277,910.28	277,910.28		277,910.28
Total	17,481,184.83	453,266.31	17,027,918.52	17,285,582.57	418,388.28	16,867,194.29

4. Disclosure by method for provision for bad debts

	Ending balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Other receivables with provision for bad debts made on an individual basis	277,910.28	1.59	277,910.28	100.00	
Other receivables with provision for bad debts made on a portfolio basis	17,203,274.55	98.41	175,356.03	1.02	17,027,918.52
Including: Portfolio I	952,324.60	5.45	175,356.03	18.41	776,968.57
Portfolio II	16,250,949.95	92.96			16,250,949.95
Total	17,481,184.83	100.00	453,266.31		17,027,918.52

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Other receivables with provision for bad debts made on an individual basis	277,910.28	1.61	277,910.28	100.00	
Other receivables with provision for bad debts made on a portfolio basis	17,007,672.29	98.39	140,478.00	0.83	16,867,194.29
Including: Portfolio I	916,264.00	5.30	140,478.00	15.33	775,786.00
Portfolio II	16,091,408.29	93.09			16,091,408.29
Total	17,285,582.57	100.00	418,388.28		16,867,194.29

5. *Other receivables with provision for bad debts made on an individual basis*

	Ending balance			
Entity name	Book balance	Provision for bad debts	Provision ratio *(%)*	Reasons for provision
Shanghai Dizai'en Mould & Plastic Technology Co., Ltd.	277,910.28	277,910.28	100.00	Listed as untrustworthy
Total	277,910.28	277,910.28		

6. *Other receivables with provision for bad debts made on a portfolio basis*

(1) Aging portfolio

	Ending balance		
Aging	Book balance	Provision for bad debts	Provision ratio *(%)*
Within 1 year	96,440.60	4,822.03	5.00
1-2 years	641,500.00	64,150.00	10.00
2-3 years	10,000.00	2,000.00	20.00
4-5 years	200,000.00	100,000.00	50.00
Over 5 years	4,384.00	4,384.00	100.00
Total	952,324.60	175,356.03	

(2) Portfolio of related parties within the consolidation scope

	Ending balance		
Item	Book balance	Provision for bad debts	Provision ratio *(%)*
Related parties within the consolidation scope	16,250,949.95		
Total	16,250,949.95		

7. *Provision for bad debts other receivables*

Provision for bad debts	First stage Expected credit loss for the next 12 months	Second stage Expected credit loss during the entire duration (without credit impairment)	Third stage Expected credit loss during the entire duration (with credit impairment)	Total
Beginning balance	140,478.00		277,910.28	418,388.28
Beginning balance in the current period	-140,478.00	140,478.00		
– Transfer to the second stage	-140,478.00	140,478.00		
– Transfer to the third stage				
– Reversal to the second stage				
– Reversal to the first stage				
Provision in the current period		34,878.03		34,878.03
Reversal in the current period				
Charge-off in the current period				
Write-off in the current period				
Other changes				
Ending balance		175,356.03	277,910.28	453,266.31

8. *No other receivables actually written off during the reporting period*

9. *Top five other receivables in terms of ending balance collected by the debtor*

Entity name	Nature of payment	Ending balance	Aging	Proportion in the ending balance of other receivables *(%)*	Ending balance of provision for bad debts
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	Current accounts with subsidiary	16,250,949.95	1-5 years	92.96	
Migrant workers' wage guarantee deposits in the jurisdiction of the Housing and Urban-Rural Construction Bureau of Hanjiang District, Yangzhou City	Security deposit	600,000.00	1-2 years	3.43	60,000.00
Shanghai Dizai'en Mould & Plastic Technology Co., Ltd.	Advances to suppliers transfer in	277,910.28	Over 5 years	1.59	277,910.28
Off-budget funds of Jiangwang Sub-district Finance Office, Hanjiang District, Yangzhou	Security deposit	200,000.00	4-5 years	1.14	100,000.00
Chen Xiangyu	Petty cash	26,500.00	1-2 years	0.15	2,650.00
Total		17,355,360.23		99.28	440,560.28

Note 3. Long-term equity investments

	Ending balance			Beginning balance		
Item	**Book balance**	**Provisions for impairment**	**Book value**	**Book balance**	**Provisions for impairment**	**Book value**
Investment in subsidiaries	98,561,802.77		98,561,802.77	119,600,001.37		119,600,001.37
Total	98,561,802.77		98,561,802.77	119,600,001.37		119,600,001.37

1. Investments in subsidiaries

Investee	Initial investment cost	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Provision for impairment made in the current period	Balance of provision for impairment as at the end of the period
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	5,100,000.00	5,100,000.00			5,100,000.00		
Yantai Olive Pipeline Co., Ltd.	40,000,000.00	40,000,000.00			40,000,000.00		
Wuhan Olive Auto Parts Co., Ltd.	40,000,000.00	40,000,000.00			40,000,000.00		
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	2,750,000.00	2,750,000.00			2,750,000.00		
Olive (Europe) Holdings S.à r.l.	146,314.00	146,314.00			146,314.00		
Changzhou Huaxuan Sensing Technology Co., Ltd.	6,529,345.79	28,538,198.60		28,538,198.60			
Kunshan Olive Auto Parts Co., Ltd.		3,065,488.77			3,065,488.77		
Jiangsu Ruishi Sensing Technology Co., Ltd.			7,500,000.00		7,500,000.00		
Total	94,525,659.79	119,600,001.37	7,500,000.00	28,538,198.60	98,561,802.77		

Note 4. Operating revenue and operating costs

1. Operating revenue and operating costs

	Amount in the current period		Amount in the previous period	
Item	**Revenue**	**Cost**	**Revenue**	**Cost**
Primary business	674,418,123.90	559,329,118.77	594,047,140.05	484,185,258.38
Other business	12,626,461.98	11,507,263.35	13,440,650.20	11,019,232.74
Total	687,044,585.88	570,836,382.12	607,487,790.25	495,204,491.12

2. ***Revenue arising from contracts***

Contract classification	Amount in the current period
I. Commodity type	687,044,585.88
Auto sensors and accessories	217,619,417.84
Accessories for automotive fuel systems	238,268,090.63
Auto interior trim parts	131,892,624.05
New energy parts	84,512,514.38
IOV products	2,125,477.00
Others	12,626,461.98
II. Classification by business area	687,044,585.88
Domestic sales	664,552,371.85
Export sales	22,492,214.03
III. Contract type	687,044,585.88
Product sales contract	685,349,585.87
Lease contract	1,695,000.01
IV. Classification by time of commodity transfer	687,044,585.88
Transfer at a point in time	687,044,585.88
Transfer within a certain period of time	

Continued:

Contract classification	Amount in the previous period
I. Commodity type	607,487,790.25
Auto sensors and accessories	196,285,652.61
Accessories for automotive fuel systems	287,087,255.30
Auto interior trim parts	81,828,420.00
New energy parts	28,788,802.14
IOV products	57,010.00
Others	13,440,650.20
II. Classification by business area	607,487,790.25
Domestic sales	591,858,904.22
Export sales	15,628,886.03
III. Contract type	607,487,790.25
Product sales contract	605,576,081.68
Lease contract	1,911,708.57
IV. Classification by time of commodity transfer	607,487,790.25
Transfer at a point in time	607,487,790.25
Transfer within a certain period of time	

Note 5. Investment income

Sources of investment income	Amount in the current period	Amount in the previous period
Income from long-term equity investment under cost method	31,107,627.24	17,639,574.79
Investment income from disposal of long-term equity investments	226,913,501.40	
Investment income during the holding period of trading financial assets	1,159,957.08	
Investment income from disposal of financial assets held for trading	14,655,862.46	11,490,829.60
Investment income during the holding period of debt investments	9,073,031.64	
Investment income from disposal of debt investments	7,843,002.76	3,728,122.23
Gains (losses) from derecognition of financial assets measured at amortized costs	-615,088.84	-431,350.39
Total	290,137,893.74	32,427,176.23

XVI. SUPPLEMENTARY INFORMATION

(I) Breakdown of current non-recurring profit or loss

Item	Amount	Notes
Profit or loss from disposal of non-current assets	224,921,041.14	
Government subsidies included in the current profit or loss (except for government subsidies closely related to the enterprise business, obtained by quota or quantity at unified state standards)	6,353,399.82	
Fund possession costs included in the current profit or loss and collected from non-financial enterprises	200,446.94	
Except for the effective hedging business related to the normal business of the Company, the profit or loss from changes in fair value arising from the holding of financial assets held for trading and financial liabilities held for trading, and the investment income obtained from the disposal of financial assets held for trading, financial liabilities held for trading, debt investments and other debt investments	23,081,178.52	
Non-operating revenue and expenses other than the above-mentioned items	-426,720.88	
Other items of profit or loss subject to the definition of non-recurring profit or loss	53,021.67	
Less: Affected amount of minority interests (decrease expressed with "-")	863,197.05	
Affected amount of income tax	38,491,614.30	
Net non-recurring profit or loss attributable to the owner of the parent company	214,827,555.86	

(II) Return on equity and earnings per share

Profit in the reporting period	Return on weighted average net assets *(%)*	Earnings per share in 2022 Basic earnings per share	Earnings per share in 2022 Diluted earnings per share	Earnings per share in 2021 Basic earnings per share	Earnings per share in 2021 Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders (I)	15.72	0.35	0.35	0.14	0.14
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss (II)	3.54	0.08	0.08	0.10	0.10

Jiangsu Olive Sensors High-tech Corporation Limited
(Official seal)

April 20, 2023

(ii) The audited consolidated financial statements of the Target Group for the financial year ended 31 December 2023 prepared in accordance with the CASBE and audited by Da Hua Certified Public Accountants (Special General Partnership)

Auditor's Report

DHSZ [2024] No. 0011002586

To all shareholders of Jiangsu Olive Sensors High-tech Corporation Limited:

I. OPINION

We have audited the financial statements of Jiangsu Olive Sensors High-tech Corporation Limited (hereinafter referred to as "Olive"), including the consolidated and parent company's balance sheets as of December 31, 2023, the consolidated and parent company's income statements, consolidated and parent company's statements of cash flows, consolidated and parent company's statements of changes in shareholders' equity and related notes to the financial statements for the year then ended.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises and present fairly the consolidated and parent company's financial positions of Olive as of December 31, 2023 and the consolidated and parent company's operating results and cash flows for the year then ended.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of this auditor's report. In accordance with the Code of Ethics for Certified Public Accountant of China, we are independent of Olive and have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key matters are matters we deem the most significant to the audit of financial statements based on our professional judgment. 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.

We have identified the following matters as key audit matters to be communicated in the auditor's report.

1. Revenue recognition

2. Recoverability of accounts receivable

(I) Revenue recognition

1. Descriptions of key audit matters

As described in Notes III (XXXI) and Notes V – Note 38 to the financial statements, Olive's operating revenue in 2023 was RMB1,121,467,400, mainly from the sales revenue of automotive sensors, fuel system accessories, interior trim parts and other products. Since the operating revenue is significant and an important financial indicator of Olive, there may be a risk of material misstatement in the recognition and presentation of revenue. In view of the great impact of revenue recognition on the financial statements, we take revenue recognition as a key audit matter.

2. How our audit addressed the matter

Important audit procedures we have implemented for revenue recognition include:

(1) Understand and evaluate the design of the management's internal control related to revenue recognition, and conduct control tests;

(2) Perform analytical review procedures, including analyzing the annual and monthly revenue of major products, changes in major customers and sales prices, and changes in gross margin;

(3) Obtain the sales contract, check the sales content, main contract terms and settlement method, compare the contract quantity and amount with the book-recorded warehouse-out quantity and revenue amount, and compare with the revenue recognition policy actually implemented by Olive;

(4) Check the documents in the transaction process, including receipt, delivery order, acceptance form, invoice notice, sales invoices, receipt and payment vouchers, etc., to determine whether the transaction is real; for goods to be exported, check whether the product name, quantity and amount in the export declaration form and the freight bill are consistent with those in the bookkeeping;

(5) Confirm the transactions and correspondences with major customers;

(6) Perform a cut-off test on the revenue transactions recorded before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate accounting period.

3. Audit conclusion

Based on the audit procedures performed, we believe that the relevant judgments of the management's revenue recognition of Olive are reasonable.

(II) Recoverability of accounts receivable

1. Descriptions of key audit matters

As described in Note III (XIII) and Note V – Note 4 to the notes to the financial statements, as of December 31, 2023, the book value of accounts receivable of Olive was RMB470,651,900, accounting for 16.39% of the total assets, and the provision for bad debts of accounts receivable was RMB26,196,000.

The management shall conduct a single credit risk assessment for the accounts receivable with objective evidence of credit impairment, and confirm the expected credit loss individually. For accounts receivable other than accounts receivable with individual credit risk assessment, the management has implemented a portfolio impairment assessment based on the consideration of the aging analysis of such customer groups, the historical records of impairment losses and the forecast of future economic conditions.

Since the determination of the recoverability of accounts receivable requires the management to identify the impaired items and objective evidence, evaluate the expected future cash flows and determine their present value, which involves the management's use of significant accounting estimates and judgments, and the recoverability of accounts receivable is important to the financial statements, therefore, we identify the recoverability of accounts receivable as a key audit matter.

2. How our audit addressed the matter

Important audit procedures we have performed with respect to the recoverability of accounts receivable include:

(1) We have understood, evaluated and tested the design and operating effectiveness of the internal control related to the daily management of accounts receivable and the evaluation of recoverability. These internal controls include the evaluation of customer credit risk, the collection process of accounts receivable, the identification of events that trigger the impairment of accounts receivable and the estimate of the amount of provision for bad debts;

(2) We have reviewed the management's judgment and estimate in assessing the recoverability of accounts receivable, including the basis for determining the accounts receivable portfolio, the judgment of significant amount, the judgment of separate provision for bad debts, etc., and paid attention to whether the management fully identifies the impaired items;

(3) For accounts receivable with provision for bad debts made on the basis of aging portfolio, we have tested the accuracy of the aging and recalculate the provision for bad debts in accordance with the bad debt policy;

(4) With reference to the historical credit loss experience and in combination with the current situation and the judgment of the future economic situation, we have evaluated whether the expected credit loss rate adopted by the management is appropriate;

(5) We have performed the confirmation procedures for important accounts receivable;

(6) We have sampled and checked the post-period payment collection;

(7) We have evaluated the accounting treatment and disclosure of the provision for bad debts of accounts receivable by the management as of December 31, 2023.

Based on the audit procedures performed, we believe that the relevant judgments and estimates of the management of Olive on the recoverability of the accounts receivable are reasonable.

IV. OTHER INFORMATION

The management of Olive is responsible for other information. Other information includes information covered in the 2023 annual report, but excludes financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Olive is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to achieve a fair presentation, and designing, implementing and maintaining internal control necessary to ensure that the financial statements are free from material misstatements due to fraud or error.

In preparing the financial statements, the management of Olive is responsible for assessing the going-concern ability of Olive, disclosing matters related to going concern (if applicable) and applying the going concern basis unless the management plans to liquidate Olive or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Olive.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. 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. Understand the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

3. Evaluate the appropriateness of accounting policies used 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 assumption. 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 Olive's going-concern ability. If we conclude that a material uncertainty exists, we are required to, in our auditor's 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 audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause Olive to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence on the financial information of the entity or business activities of Olive to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, 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 all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of this period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. BDO China Shu Lun Pan CPAs

Da Hua Certified Public Accountants (Special General Partnership)	Certified Public Accountant of China:	Ding Li
Beijing, China	Certified Public Accountant of China:	Xiong Shaobao

April 8, 2024

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Balance Sheet
December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Assets	*Note V*	**Ending balance**	**Beginning balance**
Current assets			
Monetary funds	*Note 1*	95,167,203.55	172,401,616.05
Financial assets held for trading	*Note 2*	481,459,780.42	946,420,161.11
Notes receivable	*Note 3*	39,731,402.99	108,677,013.54
Accounts receivable	*Note 4*	470,651,943.47	288,070,458.81
Receivables financing	*Note 5*	51,507,094.34	
Advances to suppliers	*Note 6*	25,277,693.98	49,572,668.81
Other receivables	*Note 7*	9,985,802.65	11,294,856.84
Inventories	*Note 8*	159,552,427.44	168,271,258.35
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	*Note 9*	685,620,632.66	290,631,930.35
Total current assets		2,018,953,981.50	2,035,339,963.86
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	*Note 10*	243,976,264.99	58,791,769.83
Investments in other equity instruments			
Other non-current financial assets	*Note 11*	39,644,275.49	49,320,000.00
Investment properties			
Fixed assets	*Note 12*	298,575,036.85	210,295,669.14
Construction in progress	*Note 13*	60,249,983.74	39,982,073.33
Productive biological assets			
Oil and gas assets			
Right-of-use assets	*Note 14*	20,407,966.07	12,084,618.99
Intangible assets	*Note 15*	34,831,344.95	34,206,473.95
Development expenses			
Goodwill	*Note 16*	60,265.73	60,265.73
Long-term deferred expenses	*Note 17*	38,294.06	293,803.01
Deferred tax assets	*Note 18*	23,041,327.23	14,736,133.86
Other non-current assets	*Note 19*	132,312,902.84	14,812,259.17
Total non-current assets		853,137,661.95	434,583,067.01
Total assets		2,872,091,643.45	2,469,923,030.87

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Balance Sheet
December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	*Note V*	**Ending balance**	**Beginning balance**
Current liabilities			
Short-term borrowings	*Note 20*	283,424,820.46	159,000,000.00
Financial liabilities held for trading			
Notes payable	*Note 21*	4,261,791.38	10,850,128.80
Accounts payable	*Note 22*	229,018,731.43	149,182,955.73
Advances from customers			
Contract liabilities	*Note 23*	2,417,550.26	1,196,265.44
Employee compensation payable	*Note 24*	14,783,990.74	9,835,156.78
Taxes and surcharges payable	*Note 25*	12,567,383.51	59,778,447.96
Other payables	*Note 26*	4,165,128.12	4,999,946.65
Liabilities held for sale			
Non-current liabilities maturing within one year	*Note 27*	65,767,128.87	4,179,222.07
Other current liabilities	*Note 28*	5,949,965.74	79,567.02
Total current liabilities		622,356,490.51	399,101,690.45
Non-current liabilities:			
Long-term borrowings	*Note 29*	74,800,000.00	
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities	*Note 30*	13,930,679.05	8,497,263.89
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities	*Note 31*	1,327,269.56	
Deferred income	*Note 32*	49,256,120.99	39,217,137.68
Deferred tax liabilities	*Note 18*	25,131,596.73	18,369,464.78
Other non-current liabilities			
Total non-current liabilities		164,445,666.33	66,083,866.35
Total liabilities		786,802,156.84	465,185,556.80

Liabilities and shareholders' equity	*Note V*	Ending balance	Beginning balance
Shareholders' equity:			
Share capital	*Note 33*	791,528,907.00	791,528,907.00
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserves	*Note 34*	168,195,280.72	144,598,158.97
Less: treasury shares			
Other comprehensive income	*Note 35*	1,004,768.26	-1,733,966.77
Special reserves			
Surplus reserve	*Note 36*	107,622,044.57	98,607,547.93
Undistributed profits	*Note 37*	877,123,711.59	857,251,222.17
Total shareholders' equity of the parent company		1,945,474,712.14	1,890,251,869.30
Minority interests		139,814,774.47	114,485,604.77
Total shareholders' equity		2,085,289,486.61	2,004,737,474.07
Total liabilities and shareholders' equity		2,872,091,643.45	2,469,923,030.87

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Income Statement
Year 2023

(Amounts are expressed in RMB unless otherwise stated)

Item	*Note V*	Current period	Prior period
I. Operating revenue	*Note 38*	1,121,467,411.07	961,316,222.70
Less: operating costs	*Note 38*	854,303,370.87	732,259,142.54
Taxes and surcharges	*Note 39*	5,591,886.58	5,672,337.70
Selling expenses	*Note 40*	6,045,616.93	5,128,547.92
G&A expenses	*Note 41*	87,240,676.68	62,855,804.52
R&D expenses	*Note 42*	45,601,749.06	41,602,989.22
Financial expenses	*Note 43*	3,697,410.07	1,224,877.77
Including: interest expenses		9,906,319.30	7,022,746.55
Interest income		1,816,779.32	3,298,896.17
Plus: other income	*Note 44*	13,383,500.76	6,406,421.49
Investment income (loss expressed with "-")	*Note 45*	66,268,529.84	262,187,461.90
Including: income from investment in associates and joint ventures		20,546,410.94	3,700,633.67
Derecognition of financial assets measured at amortized costs		-1,104,990.43	-615,088.84
Net exposure hedging gains (loss expressed with "-")			
Gains from changes in fair value (loss expressed with "-")	*Note 46*	363,894.80	-4,583,498.56
Losses from credit impairment (loss expressed with "-")	*Note 47*	-10,330,468.70	-963,753.65
Asset impairment losses (loss expressed with "-")	*Note 48*	-4,237,102.03	-8,631,680.57
Gains from disposal of assets (loss expressed with "-")	*Note 49*	110,401.11	60,861.74
II. Operating profits (loss expressed with "-")		184,545,456.66	367,048,335.38
Plus: non-operating revenue	*Note 50*	984,884.67	1,075,309.14
Less: non-operating expenses	*Note 51*	4,330,259.49	1,497,040.59
III. Total profits (total loss expressed with "-")		181,200,081.84	366,626,603.93
Less: income tax expenses	*Note 52*	16,762,056.18	57,646,737.16

Item	*Note V*	Current period	Prior period
IV. Net profit (net loss expressed with "-")		164,438,025.66	308,979,866.77
(I) Classified by operating sustainability			
Net profit from continued operations (net loss expressed with "-")		164,438,025.66	308,979,866.77
(II) Net profit from discontinued operations (net loss expressed with "-")			
(II) Classified by ownership			
Net profit attributable to owners of the parent company (net loss expressed with "-")		123,870,454.90	277,290,648.84
Minority interest income/expense (net loss expressed with "-")		40,567,570.76	31,689,217.93
V. Other comprehensive income, net of tax	*Note 35*	2,738,735.03	434,303.14
Other comprehensive income, net of tax, attributable to owners of the parent company		2,738,735.03	434,303.14
(I) Other comprehensive income that cannot be reclassified into profit or loss later			
(II) Other comprehensive income that will be reclassified into profit or loss		2,738,735.03	434,303.14
1. Difference arising from the translation of foreign-currency financial statements		2,738,735.03	434,303.14
Other comprehensive income, net of tax, attributable to minority shareholders			
VI. Total comprehensive income		167,176,760.69	309,414,169.91
Total comprehensive income attributable to the owner of the parent company		126,609,189.93	277,724,951.98
Total comprehensive income attributable to minority shareholders		40,567,570.76	31,689,217.93
VII. Earnings per share:			
Basic earnings per share		0.16	0.35
Diluted earnings per share		0.16	0.35

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Statement of Cash Flows
Year 2023

(Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Prior period
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		973,946,715.42	984,700,698.57
Refunds of taxes and surcharges		1,228,448.69	4,334,926.47
Cash received from other operating activities	*Notes 53*	35,969,200.95	52,956,362.09
Subtotal of cash inflows from operating activities		1,011,144,365.06	1,041,991,987.13
Cash paid for purchase of goods or acceptance of services		713,914,991.70	717,414,842.97
Cash paid to and on behalf of employees		114,223,838.71	108,671,267.25
Cash paid for taxes and surcharges		99,077,107.04	46,505,816.94
Cash paid for other operating activities	*Notes 53*	47,657,954.88	41,821,622.35
Subtotal of cash outflows from operating activities		974,873,892.33	914,413,549.51
Net cash flows from operating activities		36,270,472.73	127,578,437.62
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,127,000,000.00	1,181,868,774.87
Cash received from investment income		26,953,858.78	5,897,515.41
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,000.00	
Net cash from disposal of subsidiaries and other business units			252,058,450.79
Cash received from other investing activities	*Notes 53*	543,042,120.07	469,215,738.86
Subtotal of cash inflows from investing activities		1,697,000,978.85	1,909,040,479.93
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		139,342,976.62	59,418,844.50
Cash paid for investments		807,250,000.00	1,529,387,830.00

Item	*Note V*	Current period	Prior period
Net cash paid to acquire subsidiaries and other business units			5,128,502.24
Cash paid for other investing activities	*Notes 53*	1,023,655,685.31	502,843,958.33
Subtotal of cash outflows from investing activities		1,970,248,661.93	2,096,779,135.07
Net cash flows from investing activities		-273,247,683.08	-187,738,655.14
III. Cash flows from financing activities:			
Cash received from investors			
Including: cash received by subsidiaries from investments of minority shareholders			
Cash received from borrowings		577,000,000.00	307,000,000.00
Cash received from other financing activities	*Notes 53*	37,391,900.49	
Subtotal of cash inflows from financing activities		614,391,900.49	307,000,000.00
Cash paid for debt repayments		329,000,000.00	298,000,000.00
Cash paid for distribution of dividends and profits or payment of interests		119,315,280.96	53,661,908.26
Including: dividends and profit paid to minority shareholders by subsidiaries		15,238,401.06	17,397,524.22
Cash paid for other financing activities	*Notes 53*	4,577,705.00	3,176,737.02
Sub-total of cash outflows from financing activities		452,892,985.96	354,838,645.28
Net cash flows from financing activities		161,498,914.53	-47,838,645.28
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		636,314.82	431,334.68
V. Net increase in cash and cash equivalents		-74,841,981.00	-107,567,528.12
Plus: beginning balance of cash and cash equivalents		168,604,064.57	276,171,592.69
VI. Ending balance of cash and cash equivalents		93,762,083.57	168,604,064.57

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity
Year 2023

(Amounts are expressed in RMB unless otherwise stated)

Item	Current period									
	Equity attributable to shareholders of the parent company									
	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Ending balance of last year	791,528,907.00		144,598,158.97		-1,733,966.77		98,597,764.28	857,167,495.22	114,489,761.09	2,004,648,119.79
Plus: changes in accounting policies							9,783.65	83,726.95	-4,156.32	89,354.28
Correction of accounting errors in prior periods										
Business combination under common control										
Others										
II. Beginning balance of this year	791,528,907.00		144,598,158.97		-1,733,966.77		98,607,547.93	857,251,222.17	114,485,604.77	2,004,737,474.07
III. Increases and decreases in this year			23,597,121.75		2,738,735.03		9,014,496.64	19,872,489.42	25,329,169.70	80,552,012.54
(I) Total comprehensive income					2,738,735.03			123,870,454.90	40,567,570.76	167,176,760.69
(II) Capital contributed or reduced by shareholders			23,035,077.77							23,035,077.77
1. Ordinary shares invested by shareholders										
2. Capital contributed by holders of other equity instruments										
3. Amount of share-based payments included in owners' equity			23,035,077.77							23,035,077.77
4. Others										

Item	Current period									
	Equity attributable to shareholders of the parent company									
	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
(III) Profit distribution							9,014,496.64	-103,997,965.48	-15,238,401.06	-110,221,869.90
1. Withdrawal of surplus reserves							9,014,496.64	-9,014,496.64		
2. Profits distributed to shareholders								-94,983,468.84	-15,238,401.06	-110,221,869.90
3. Others										
(IV) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserves into paid-in capital										
2. Conversion of surplus reserves into paid-in capital										
3. Surplus reserve to cover losses										
4. Others										
(V) Special reserves										
1. Withdrawal in the current period										
2. Use in the current period										
(VI) Others			562,043.98							562,043.98
IV. Ending balance of this year	791,528,907.00		168,195,280.72		1,004,768.26		107,622,044.57	877,123,711.59	139,814,774.47	2,085,289,486.61

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity
Year 2023

(Amounts are expressed in RMB unless otherwise stated)

	Prior period									
	Equity attributable to shareholders of the parent company									
Item	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Ending balance of last year	494,705,567.00		439,941,250.36	300,630.00	-2,168,269.91		70,715,791.52	637,562,598.56	109,321,499.39	1,749,777,806.92
Plus: changes in accounting policies							-1,292.75	-26,642.05	-14,418.81	-42,353.61
Correction of accounting errors in prior periods										
Business combination under common control										
Others										
II. Beginning balance of this year	494,705,567.00		439,941,250.36	300,630.00	-2,168,269.91		70,714,498.77	637,535,956.51	109,307,080.58	1,749,735,453.31
III. Increases and decreases in this year	296,823,340.00		-295,343,091.39	-300,630.00	434,303.14		27,893,049.16	219,715,265.66	5,178,524.19	255,002,020.76
(I) Total comprehensive income					434,303.14			277,290,648.84	31,689,217.93	309,414,169.91
(II) Capital contributed or reduced by shareholders			1,480,248.61	-300,630.00						1,780,878.61
1. Ordinary shares invested by shareholders				-300,630.00						300,630.00
2. Capital contributed by holders of other equity instruments										
3. Amount of share-based payments included in owners' equity			1,480,248.61							1,480,248.61
4. Others										

Item	Prior period Equity attributable to shareholders of the parent company Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
(III) Profit distribution							27,893,049.16	-57,575,383.18	-17,397,524.22	-47,079,858.24
1. Withdrawal of surplus reserves							27,893,049.16	-27,893,049.16		
2. Profits distributed to shareholders								-29,682,334.02	-17,397,524.22	-47,079,858.24
3. Others										
(IV) Internal carry-forward of shareholders' equity	296,823,340.00		-296,823,340.00							
1. Conversion of capital reserves into paid-in capital	296,823,340.00		-296,823,340.00							
2. Conversion of surplus reserves into paid-in capital										
3. Surplus reserve to cover losses										
4. Others										
(V) Special reserves										
1. Withdrawal in the current period										
2. Use in the current period										
(VI) Others									-9,113,169.52	-9,113,169.52
IV. Ending balance of this year	791,528,907.00		144,598,158.97		-1,733,966.77		98,607,547.93	857,251,222.17	114,485,604.77	2,004,737,474.07

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Balance Sheet
December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Assets	*Note XVII*	**Ending balance**	**Beginning balance**
Current assets			
Monetary funds		53,126,956.36	99,842,299.65
Financial assets held for trading		481,459,780.42	946,420,161.11
Notes receivable		33,434,970.46	85,311,798.28
Accounts receivable	*Note 1*	382,219,408.86	218,321,093.96
Receivables financing		36,427,089.65	
Advances to suppliers		21,193,845.60	33,738,988.81
Other receivables	*Note 2*	19,191,228.11	23,027,918.52
Inventories		117,955,216.27	109,856,936.68
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		685,338,282.97	259,571,812.27
Total current assets		1,830,346,778.70	1,776,091,009.28
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables		51,247,485.44	48,035,515.85
Long-term equity investments	*Note 3*	271,017,964.26	98,561,802.77
Investments in other equity instruments			
Other non-current financial assets		39,644,275.49	49,320,000.00
Investment properties			
Fixed assets		207,676,539.84	118,475,103.40
Construction in progress		60,249,983.74	38,038,758.01
Productive biological assets			
Oil and gas assets			
Right-of-use assets		19,166,027.78	9,904,391.18
Intangible assets		22,454,917.78	21,504,710.53
Development expenses			
Goodwill			
Long-term deferred expenses		13,030.48	169,394.08
Deferred tax assets		18,170,659.45	9,571,429.69
Other non-current assets		22,951,281.93	14,624,909.64
Total non-current assets		712,592,166.19	408,206,015.15
Total assets		2,542,938,944.89	2,184,297,024.43

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Balance Sheet
December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	*Note XVII*	Ending balance	Beginning balance
Current liabilities			
Short-term borrowings		280,624,820.46	159,000,000.00
Financial liabilities held for trading			
Notes payable		4,261,791.38	10,850,128.80
Accounts payable		223,289,923.09	150,711,679.84
Advances from customers			
Contract liabilities		2,387,317.14	961,340.95
Employee compensation payable		12,042,825.26	7,104,004.00
Taxes and surcharges payable		3,421,004.67	34,408,596.42
Other payables		18,610,368.87	6,528,551.84
Liabilities held for sale			
Non-current liabilities maturing within one year		64,916,897.47	3,131,638.54
Other current liabilities		4,101,461.40	49,026.83
Total current liabilities		613,656,409.74	372,744,967.22
Non-current liabilities:			
Long-term borrowings		74,800,000.00	
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities		13,708,643.05	7,424,996.49
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities		1,327,269.56	
Deferred income		37,102,542.13	28,721,746.45
Deferred tax liabilities		22,432,818.74	14,252,671.92
Other non-current liabilities			
Total non-current liabilities		149,371,273.48	50,399,414.86
Total liabilities		763,027,683.22	423,144,382.08
Shareholders' equity:			
Share capital		791,528,907.00	791,528,907.00
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserves		168,195,280.72	144,598,158.97
Less: treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserve		107,622,044.57	98,607,547.93
Undistributed profits		712,565,029.38	726,418,028.45
Total shareholders' equity		1,779,911,261.67	1,761,152,642.35
Total liabilities and shareholders' equity		2,542,938,944.89	2,184,297,024.43

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Income Statement
Year 2023

(Amounts are expressed in RMB unless otherwise stated)

Item	Note XVII	Current period	Prior period
I. Operating revenue	Note 4	827,199,643.11	687,044,585.88
Less: operating costs	Note 4	686,004,361.27	570,836,382.12
Taxes and surcharges		2,936,849.83	3,229,113.46
Selling expenses		4,581,500.22	3,345,658.05
G&A expenses		72,573,053.48	47,390,550.35
R&D expenses		31,443,155.87	30,325,495.09
Financial expenses		4,466,813.79	1,858,832.91
Including: interest expenses		9,758,012.89	6,938,978.90
Interest income		2,140,891.33	3,513,080.06
Plus: other income		11,436,811.43	4,244,286.33
Investment income (loss expressed with "-")	Note 5	75,482,540.20	290,137,893.74
Including: income from investment in associates and joint ventures		15,644,117.51	
Gains from derecognition of financial assets measured at amortized costs		-901,915.19	-615,088.84
Net exposure hedging gains (loss expressed with "-")			
Gains from changes in fair value (loss expressed with "-")		363,894.80	-4,583,498.56
Losses from credit impairment (loss expressed with "-")		-9,069,136.71	-831,897.37
Asset impairment losses (loss expressed with "-")		-3,648,806.52	-2,622,537.47
Profit or loss on disposal of assets (loss expressed with "-")		-561,243.75	60,861.74
II. Operating profits (loss expressed with "-")		99,197,968.10	316,463,662.31
Plus: non-operating revenue		404,392.54	878,471.04
Less: non-operating expenses		4,321,164.23	1,178,940.12
III. Total profits (total loss expressed with "-")		95,281,196.41	316,163,193.23
Less: income tax expenses		5,136,230.00	37,232,701.64
IV. Net profit (net loss expressed with "-")		90,144,966.41	278,930,491.59
Net profit from continued operations (net loss expressed with "-")		90,144,966.41	278,930,491.59
(II) Net profit from discontinued operations (net loss expressed with "-")			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss later			
(II) Other comprehensive income that will be reclassified into profit or loss			
VI. Total comprehensive income		90,144,966.41	278,930,491.59
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Statement of Cash Flows
Year 2023

(Amounts are expressed in RMB unless otherwise stated)

Item	*Note XVII*	Current period	Prior period
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		672,226,794.83	711,776,864.38
Refunds of taxes and surcharges		920,931.02	254,258.29
Cash received from other operating activities		42,068,507.68	47,099,969.87
Subtotal of cash inflows from operating activities		715,216,233.53	759,131,092.54
Cash paid for purchase of goods or acceptance of services		576,356,795.74	544,657,738.12
Cash paid to and on behalf of employees		88,061,383.91	79,125,313.48
Cash paid for taxes and surcharges		50,965,716.21	27,056,252.44
Cash paid for other operating activities		40,107,941.97	41,426,014.73
Subtotal of cash outflows from operating activities		755,491,837.83	692,265,318.77
Net cash flows from operating activities		-40,275,604.30	66,865,773.77
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,127,000,000.00	1,151,636,642.37
Cash received from investment income		48,813,488.06	20,344,492.65
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash from disposal of subsidiaries and other business units			255,451,700.00
Cash received from other investing activities		583,247,747.40	428,817,349.98
Subtotal of cash inflows from investing activities		1,759,061,235.46	1,856,250,185.00
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		136,088,039.52	51,055,614.15
Cash paid for investments		807,250,000.00	1,529,387,830.00
Net cash paid to acquire subsidiaries and other business units		1,000,000.00	5,250,000.00
Cash paid for other investing activities		988,371,753.80	432,843,958.33
Subtotal of cash outflows from investing activities		1,932,709,793.32	2,018,537,402.48
Net cash flows from investing activities		-173,648,557.86	-162,287,217.48

Item	*Note XVII*	Current period	Prior period
III. Cash flows from financing activities:			
Cash received from investors			
Cash received from borrowings		577,000,000.00	307,000,000.00
Cash received from other financing activities		29,050,963.31	
Subtotal of cash inflows from financing activities		606,050,963.31	307,000,000.00
Cash paid for debt repayments		329,000,000.00	298,000,000.00
Cash paid for distribution of dividends and profits or payment of interests		104,076,879.90	36,264,384.04
Cash paid for other financing activities		3,398,597.00	2,020,401.02
Sub-total of cash outflows from financing activities		436,475,476.90	336,284,785.06
Net cash flows from financing activities		169,575,486.41	-29,284,785.06
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		25,763.96	151,999.38
V. Net increase in cash and cash equivalents		-44,322,911.79	-124,554,229.39
Plus: beginning balance of cash and cash equivalents		96,044,748.17	220,598,977.56
VI. Ending balance of cash and cash equivalents		51,721,836.38	96,044,748.17

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Statement of Changes in Shareholders' Equity
Year 2023

(Amounts are expressed in RMB unless otherwise stated)

	Current period								
Item	**Share capital**	**Other equity instruments**	**Capital reserves**	**Less: treasury shares**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Undistributed profits**	**Total shareholders' equity**
I. Ending balance of last year	791,528,907.00		144,598,158.97				98,597,764.28	726,329,975.53	1,761,054,805.78
Plus: changes in accounting policies							9,783.65	88,052.92	97,836.57
Correction of accounting errors in prior periods									
Others									
II. Beginning balance of this year	791,528,907.00		144,598,158.97				98,607,547.93	726,418,028.45	1,761,152,642.35
III. Increases and decreases in this year			23,597,121.75				9,014,496.64	-13,852,999.07	18,758,619.32
(I) Total comprehensive income								90,144,966.41	90,144,966.41
(II) Capital contributed or reduced by shareholders			23,035,077.77						23,035,077.77
1. Ordinary shares invested by shareholders									
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payments included in owners' equity			23,035,077.77						23,035,077.77
4. Others									

Item	Current period								
	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
(III) Profit distribution							9,014,496.64	-103,997,965.48	-94,983,468.84
1. Withdrawal of surplus reserves							9,014,496.64	-9,014,496.64	
2. Profits distributed to shareholders								-94,983,468.84	-94,983,468.84
3. Others									
(IV) Internal carry-forward of shareholders' equity									
1. Conversion of capital reserves into paid-in capital									
2. Conversion of surplus reserves into paid-in capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Special reserves									
1. Withdrawal in the current period									
2. Use in the current period									
(VI) Others			562,043.98						562,043.98
IV. Ending balance of this year	791,528,907.00		168,195,280.72				107,622,044.57	712,565,029.38	1,779,911,261.67

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Parent Company's Statement of Changes in Shareholders' Equity
Year 2023

(Amounts are expressed in RMB unless otherwise stated)

	Prior period								
Item	**Share capital**	**Other equity instruments**	**Capital reserves**	**Less: treasury shares**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Undistributed profits**	**Total shareholders' equity**
I. Ending balance of last year	494,705,567.00		439,941,250.36	300,630.00			70,715,791.52	505,074,554.76	1,510,136,533.64
Plus: changes in accounting policies							-1,292.75	-11,634.72	-12,927.47
Correction of accounting errors in prior periods									
Others									
II. Beginning balance of this year	494,705,567.00		439,941,250.36	300,630.00			70,714,498.77	505,062,920.04	1,510,123,606.17
III. Increases and decreases in this year	296,823,340.00		-295,343,091.39	-300,630.00			27,893,049.16	221,355,108.41	251,029,036.18
(I) Total comprehensive income								278,930,491.59	278,930,491.59
(II) Capital contributed or reduced by shareholders			1,480,248.61	-300,630.00					1,780,878.61
1. Ordinary shares invested by shareholders				-300,630.00					300,630.00
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payments included in owners' equity			1,480,248.61						1,480,248.61
4. Others									

Item	Prior period								
	Share capital	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
(III) Profit distribution							27,893,049.16	-57,575,383.18	-29,682,334.02
1. Withdrawal of surplus reserves							27,893,049.16	-27,893,049.16	
2. Profits distributed to shareholders								-29,682,334.02	-29,682,334.02
3. Others									
(IV) Internal carry-forward of shareholders' equity	296,823,340.00		-296,823,340.00						
1. Conversion of capital reserves into paid-in capital	296,823,340.00		-296,823,340.00						
2. Conversion of surplus reserves into paid-in capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Special reserves									
1. Withdrawal in the current period									
2. Use in the current period									
(VI) Others									
IV. Ending balance of this year	791,528,907.00		144,598,158.97				98,607,547.93	726,418,028.45	1,761,152,642.35

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Notes to the Financial Statements
For the Year Ended December 31, 2023

I. BASIC INFORMATION OF THE COMPANY

(I) Registration place, organizational form and headquarters address of the Company

Jiangsu Olive Sensors High-tech Corporation Limited (hereinafter referred to as "the Company") is a joint stock limited company established by the overall change of its predecessor, Yangzhou Olive Sensor Co., Ltd. It was registered with Yangzhou Administration for Industry and Commerce on October 10, 2010 with a registered capital of RMB50 million. Upon the approval of the China Securities Regulatory Commission with the document (ZJXK [2016] No. 541), the Company issued 16.67 million shares of RMBordinary shares (A shares) to the public. The Company's shares were listed on the Shenzhen Stock Exchange on April 29, 2016. The Company currently holds a business license with the unified social credit code of 91321000608707880C.

On May 5, 2017, the Company's 2016 annual general meeting resolved to increase 8 shares for every 10 shares to all shareholders based on the total share capital of 66.67 million shares at the end of 2016. After the increase, the total number of shares of the Company was 120.006 million shares, and the share capital was changed to RMB120.006 million.

On April 18, 2018, the Company's 2017 annual general meeting resolved to grant 2,226,000 restricted shares of RMBordinary shares (A shares) to 141 incentive objects. After the grant, the total number of shares of the Company changed to 122,232,000 shares, and the share capital changed to RMB122,232,000; 110,000 reserved restricted shares of ordinary shares (A-shares) were granted to one incentive object. After the grant, the total number of shares of the Company was changed to 122,342,000 and the share capital was changed to RMB122,342,000.

On April 18, 2019, the Company's 2018 annual general meeting resolved to issue 8 additional shares for every 10 shares held to all shareholders based on the total share capital as of the end of 2018. After the increase, the total number of shares of the Company was 220,215,600 and the share capital was changed to RMB220,215,600.

On June 18, 2019, the Company's 3rd extraordinary general meeting in 2019 resolved to repurchase and cancel 37,800 shares from the original three incentive objects first granted under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 220.1778 million, and the share capital was changed to RMB220.1778 million.

On November 13, 2019, the Company's 4th extraordinary general meeting in 2019 resolved to repurchase and cancel 91,800 shares from the original four incentive objects first granted under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 220.086 million, and the share capital was changed to RMB220.086 million.

On May 19, 2020, the Company's 2019 annual general meeting resolved to issue 4 additional shares for every 10 shares held to all shareholders based on the total share capital of 220.086 million shares. After the increase, the total number of shares of the Company was 308.1204 million shares, and the share capital was changed to RMB308.1204 million.

On August 24, 2020, the Company's 2nd extraordinary general meeting in 2020 resolved to repurchase and cancel 1,850,688 shares granted to incentive objects of the first grant and reserved grant portions under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 306,269,712, and the share capital was changed to RMB306,269,712.

On May 20, 2021, the Company's 2020 annual general meeting resolved to issue 4 additional shares for every 10 shares held to all shareholders based on the total share capital of 306,269,712 shares. After the increase, the total number of shares of the Company was 428,777,596 shares, and the share capital was changed to RMB428,777,596.

On January 5, 2021, approved by the China Securities Regulatory Commission with the document (ZJXK [2021] No. 25), the Company issued 65,927,971 shares to specific targets. After the issuance of shares, the total number of shares of the Company was 494,705,567 shares, and the share capital was changed to RMB494,705,567.

On April 28, 2022, the Company's 2021 annual general meeting resolved to issue 6 additional shares for every 10 shares held to all shareholders based on the total share capital of 494,705,567 shares. After the increase, the total number of shares of the Company was 791,528,907 shares, and the share capital was changed to RMB791,528,907.

After years of distribution of bonus shares, capital increase and new share issuance, as of December 31, 2023, the Company has issued a total of 791,528,907 shares, with a registered capital of RMB791,528,907. The registered address is No. 158, Xiangyuan Road, Yangzhou High-tech Industrial Development Zone, Jiangsu Province, and the headquarters address is No. 158, Xiangyuan Road, Yangzhou High-tech Industrial Development Zone, Jiangsu Province. The actual controller is a natural person: Li Hongqing.

(II) Nature of business and main operating activities of the Company

The Company engages in an auto parts and components manufacturing, and its main products and services are sensors and accessories, fuel system accessories, auto interior trim parts, etc.

(III) Scope of consolidated financial statements

A total of 9 subsidiaries were included in the scope of consolidated financial statements in the current period, see Note VIII Equity in other entities for details. Compared with the previous period, the number of entities included in the scope of consolidated financial statements in the current period increased by 2 and decreased by 0. For the specific information of the entities with changes in the consolidation scope, please refer to "Note VII. Changes in the consolidation scope".

(IV) Approval of financial statements

The financial statements have been approved by the Company's Board of Directors for disclosure on April 8, 2024.

II. PREPARATION BASIS OF FINANCIAL STATEMENTS

(I) Preparation basis of financial statements

The Company recognizes and measures the actual transactions and events in accordance with the Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance and specific Accounting Standards for Business Enterprises, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), and prepares the financial statements on this basis in combination with the provisions of the China Securities Regulatory Commission's Rules for the Compilation and Reporting of Information Disclosure by Companies Issuing Securities to the Public No. 15 – General Provisions on Financial Reports (Revised in 2023).

(II) Going concern

The Company has evaluated the going-concern ability for 12 months from the end of the reporting period, and no matters or circumstances that cast significant doubt on the going-concern ability have been found. Therefore, the financial statements are prepared on a going concern basis.

(III) Accounting basis and pricing principles

The accounting of the Group is based on the accrual basis. Except for certain financial instruments measured at fair value, the financial statements are based on historical cost. In the event of any asset impairment, a provision for impairment will be made in accordance with relevant provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, cash flows and other relevant information during the reporting period.

(II) Accounting period

The fiscal year is from January 1 to December 31 of each calendar year.

(III) Operating cycle

Operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as an operating cycle and uses it as the liquidity classification criteria for assets and liabilities.

(IV) Recording currency

The Company uses RMB as its recording currency.

Overseas subsidiaries take the currency in the main economic environment in which they operate as the recording currency, and convert it into RMB when preparing financial statements.

(V) Significance criteria determination method and selection basis

Item	Significance criteria
Receivables for significant single provision for bad debts	RMB5 million
Significant amount recovered or reversed for provision for bad debts	RMB5 million
Write-off of significant accounts receivable	RMB5 million
Significant construction in progress	The budget of a single project is more than RMB20 million
Significant changes in the book value of contract assets	The amount of changes in the book value of contract assets accounts for more than 30% of the balance of contract assets at the beginning of the period and the amount is greater than RMB5 million
Significant contract liabilities with aging of more than 1 year	The contract liabilities with aging of more than 1 year account for more than 10% of the total contract liabilities and the amount is greater than RMB5 million
Significant changes in the book value of contract liabilities	The amount of changes in the book value of contract liabilities accounts for more than 30% of the balance of contract liabilities at the beginning of the period and the amount is greater than RMB5 million
Significant accounts payable and other payables	Accounts payable/other payables with the aging of more than 1 year account for more than 10% of the total accounts payable/other payables and the amount is greater than RMB5 million

Item	Significance criteria
Significant non-wholly-owned subsidiaries	The net assets of the subsidiary account for more than 5% of the net assets of the consolidated statements, or the minority interests of a single subsidiary account for more than 1% of the net assets of the consolidated statements and the amount is greater than RMB50 million
Significant investing activities	A single investing activity accounts for more than 10% of the total cash inflows or outflows related to the receipt or payment of investing activities and the amount is greater than RMB50 million
Significant joint ventures or associates	The book value of the long-term equity investment of a single investee accounts for more than 5% of the net assets in the consolidated statements and the amount is greater than RMB50 million, or the investment profit or loss under the equity method of the long-term equity investment accounts for more than 10% of the net profit in the consolidated statements
Significant subsidiary	The net assets of the subsidiary account for more than 5% of the net assets of the consolidated statements, or the net profit of the subsidiary accounts for more than 10% of the consolidated net profit of the consolidated statements
Significant activities not involving current cash receipts and payments	Activities that do not involve current cash receipts and payments, have an impact on the current statement greater than 10% of net assets, or are expected to have an impact on future cash flows greater than 10% of the total cash inflows or outflows

(VI) Accounting treatment of business combinations under common control and not under common control

1. If the terms, conditions and economic impact of the transactions in the process of realizing the business combination step by step meet one or more of the following conditions, multiple transactions will be accounted for as a package of transactions

(1) These transactions are concluded at the same time or under the consideration of mutual effect;

(2) Only these transactions as a whole can reach a complete commercial result;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction; and

(4) A single transaction is uneconomical but it is economical when considered together with other transactions.

2. Business combination under common control

If the enterprises involved in the combination are subject to the ultimate control of the same party or the same parties before and after the combination, and the control is not temporary, it is a business combination under common control.

The assets and liabilities acquired by the Company in the business combination shall be measured at the book value of the assets and liabilities of the combined party (including the goodwill formed by the acquisition of the combined party by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The difference between the book value of net assets acquired from the combination and the book value of the consideration paid for the combination (or the total nominal value of shares issued) shall be adjusted to the equity premium in the capital reserves, and the retained earnings shall be adjusted if the equity premium in the capital reserves is insufficient to be offset.

If there is contingent consideration and the estimated liabilities or assets need to be recognized, the capital reserve (capital premium or equity premium) shall be adjusted according to the difference between the amount of the estimated liabilities or assets and the settlement amount of the subsequent contingent consideration. If the capital reserve is insufficient, the retained earning shall be adjusted.

If the business combination is finally realized through multiple transactions, which belong to a package of transactions, each transaction shall be accounted for as a transaction to obtain the right of control; if it does not belong to a package of transactions, the capital reserve shall be adjusted at the difference between the initial investment cost of the long-term equity investments on the date of obtaining right of control and the sum of the book value of the long-term equity investments before the combination and the book value of the newly paid consideration for the further acquisition of shares on the combination date; if capital reserve is insufficient for offset, retained earnings shall be adjusted. For equity investments held before the combination date, other comprehensive income recognized due to the adoption of accounting by equity method or recognition and measurement standards of financial instruments shall not be accounted for temporarily, and shall be accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the investment is disposed of; other changes in owners' equity in the net assets of the investee recognized due to the adoption of accounting by equity method, except for net profit or loss, other comprehensive income and profit distribution, shall not be accounted for temporarily until they are transferred to the current profit or loss when the investment is disposed of.

3. Business combination not under common control

Business combination not under common control refers to the business combination in which the enterprises involved are not ultimately controlled by the same party or the same parties before and after the combination.

On the acquisition date, the Company measures the assets surrendered and liabilities incurred or assumed as the consideration for business combination at fair value, and the difference between the fair value and its book value is included in the current profit or loss.

The Company recognizes the difference between the combination cost and the share of fair value of identifiable net assets of the acquiree obtained in the combination as the goodwill; if the combination cost is less than the fair value of identifiable net assets of the acquiree obtained in the combination, the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the combination cost shall be reviewed first. If the combination cost is still less than the fair value of identifiable net assets of the acquiree obtained in the combination, it shall be included in the current profit or loss.

If the business combination not under common control realized step by step through multiple exchange transactions belongs to a package of transactions, each transaction shall be accounted for as a transaction to obtain the right of control; if it does not belong to a package of transactions and the equity investments held before the combination date are accounted for by equity method, the sum of the book value of the acquiree's equity investments held before the acquisition date and the new investment cost on the acquisition date shall be taken as the initial investment cost of the investments; for other comprehensive income recognized by accounting by equity method for equity investments held before the acquisition date, accounting treatment shall be made on the same basis as the investee directly disposes of the relevant assets or liabilities when disposing of the investment. If the equity investments held before the combination date are accounted for by the recognition and measurement standards of financial instruments, the sum of the fair value of the equity investments on the combination date plus the new investment cost shall be taken as the initial investment cost on the combination date. The difference between the fair value and the book value of the equity originally held and the accumulated changes in fair value originally included in the other comprehensive income shall be transferred to the investment income of the current period on the combination date.

4. Relevant expenses incurred for the combination

Intermediary fees such as audit, legal services, evaluation and consulting fees and other directly related expenses incurred for business combination shall be included in the current profit or loss when incurred; transaction costs for the issuance of equity securities for business combination that are directly attributable to equity transactions are deducted from equity.

(VII) Judgment criteria of control and preparation method of consolidated financial statements

1. Judgment criteria for control

Control means that the investor has power over the investee, enjoys variable returns by participating in the investee's relevant activities, and has the ability to use its power over the investee to affect the amount of its returns.

The Company makes a judgment on whether to control the investee based on comprehensive consideration of all relevant facts and circumstances. The Company will reassess once the relevant facts and circumstances change, which leads to changes in the relevant elements involved in the definition of control. The relevant facts and circumstances mainly include:

(1) Purpose of establishment of the investee.

(2) Relevant activities of the investee and how to make decisions on relevant activities.

(3) Whether the rights enjoyed by the investor currently enable it to dominate the relevant activities of the investee.

(4) Whether the investor enjoys variable returns by participating in the investee's activities.

(5) Whether the investor has the ability to use its power over the investee to affect the amount of its return.

(6) Relationship of the investor with other parties.

2. Consolidation scope

The consolidation scope of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including individual entity controlled by the Company) are included in the consolidated financial statements.

3. Consolidation procedure

The Company prepares the consolidated financial statements based on the financial statements of the Company and all subsidiaries with reference to other relevant materials. In preparing the consolidated financial statements, the Company treats the whole enterprise group as an accounting entity to reflect the overall financial position, operating results and cash flows of the enterprise group in accordance with the recognition, measurement and presentation requirements of the relevant Accounting Standards for Business Enterprises and in accordance with the unified accounting policies.

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 consolidated 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.

When consolidating financial statements, the impact of internal transactions between the Company and subsidiaries and between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity shall be offset. If the recognition of the same transaction from the perspective of the consolidated financial statements of the enterprise group is different from that of the Company or the subsidiary as the accounting subject, the transaction shall be adjusted from the perspective of the enterprise group.

The owner's equity, current net profit or loss and share attributable to minority shareholders in current comprehensive income of subsidiaries shall be separately presented under the owner's equity in the consolidated balance sheet, net profit and total comprehensive income in the consolidated income statement. The balance resulting from the excess of the minority shareholders' share of the current loss of a subsidiary over the minority's share of the subsidiary's owners' equity at the beginning of the period is eliminated to reduce the minority equity.

For subsidiaries acquired from business combination under the same control, adjustments shall be made to the financial statements based on the book value of its assets and liabilities (including the goodwill formed by the acquisition of the subsidiary by the ultimate controller) in the financial statements of the ultimate controller. For subsidiaries acquired from business combinations not under common control, the financial statements will be adjusted on the basis of the fair value of the identifiable net assets on the acquisition date.

(1) Increase in subsidiaries or business

During the reporting period, if there is a new subsidiary or business due to the business combination under the same control, the beginning amount of consolidated balance sheet shall be adjusted; the revenues, expenses and profits from the beginning of the consolidation period to the end of the reporting period of the subsidiary or business shall be included in the consolidated income statement; the cash flow of subsidiaries or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated statement of cash flows, and the relevant items of the comparative statements shall be adjusted as if the consolidated reporting entity has always existed since the time point when the ultimate controller begins to control it.

Where the Company can exercise control over the investee under common control due to additional investment or other reasons, adjustments shall be made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. For equity investments held prior to the acquisition of control of the combinee, the related gains or losses, other comprehensive income and other changes in net assets recognized between the later of the date of acquisition of the original equity interest and the date on which the combining party and the combinee are under the same control and the combination date are eliminated against retained earnings at the beginning of the comparative statement period or against current profit or loss, respectively.

During the reporting period, if there is a new subsidiary or business due to business combination not under the same control, the beginning amount of the consolidated balance sheet will not be adjusted. The revenues, expenses and profits of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flow of the subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

Where the Company can exercise control over the investee not under common control due to additional investment or other reasons, the Company shall re-measure the equity of the acquiree held before the acquisition date at the fair value of the equity on the acquisition date, and the difference between the fair value and the book value shall be included in the current investment income. If the equity of the acquiree held before the acquisition date involves the other comprehensive income under the accounting by equity method and changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owners' equity shall be transferred to the investment income of the period to which the purchase date belongs, except for other comprehensive income arising from the investee's re-measurement of changes in net liabilities or net assets under defined benefit plans.

(2) Disposal of subsidiary or business

(1) General method of disposal

During the reporting period, if the Company disposes of subsidiaries or business, the revenues, expenses and profits of such subsidiaries or business shall be included in the consolidated income statement from the beginning of the period to the disposal date. The cash flow from the beginning period of the subsidiaries or business to the disposal date shall be included in the consolidated statement of cash flows.

When the Company loses the right of control over the investee due to disposal of part of the equity investments or other reasons, the remaining equity investments after disposal will be re-measured by the Company at their fair value on the date of loss of control. The difference between the sum of the consideration obtained from disposal of equities and the fair value of the remaining equities, less the sum of the share of net assets and goodwill of the original subsidiaries calculated continuously from the acquisition date or combination date according to the original shareholding ratio, shall be included in the investment income at the period of loss of control. Other comprehensive incomes related to the original equity investments in subsidiaries or changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution are transferred to the current investment income at loss of control, except for other comprehensive income arising from the investee's re-measurement of changes in net liabilities or net assets under defined benefit plans.

(2) Dispose of subsidiary step by step

Where the equity investments in subsidiaries are disposed of step by step through multiple transactions until the loss of control, and the terms, conditions and economic impact of the disposal on various transactions of the equity investments in subsidiaries meet one or more of the following circumstances, it generally indicates that multiple transactions shall be taken as a package of transactions for accounting treatment:

A. These transactions are concluded simultaneously or with consideration of mutual effects;

B. Only these transactions as a whole can reach a complete commercial result;

C. The occurrence of one transaction depends on the occurrence of at least one other transaction;

D. A transaction is uneconomical on its own, but it is economical when considered with other transactions.

If the disposal of equity investments in subsidiaries until the loss of control belongs to a package of transactions, the company will treat each transaction as a disposal of subsidiaries and the loss of control transaction for accounting treatment; however, before loss of control, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the disposal investment is recognized as other comprehensive income in consolidated financial statements, and is transferred into the current profit or loss on the loss of control.

Where the disposal of various transactions from the equity investments in subsidiaries until the loss of control are not a package of transactions, before the loss of control, accounting treatment shall be carried out according to the relevant policies on partial disposal of equity investments of subsidiaries without loss of control; when loss of control, the accounting treatment shall be carried out in accordance with the general treatment of the disposal of subsidiaries.

(3) Purchase of minority interests in subsidiaries

The equity premium in the capital reserves in the consolidated balance sheet shall be adjusted at the difference between the long-term equity investments acquired by the Company for the purchase of minority interests and the share of net assets of the subsidiaries calculated continuously from the acquisition date (or combination date) according to the newly increased shareholding ratio; if the equity premium in the capital reserves is insufficient to be offset, the retained earnings shall be adjusted.

(4) Partial disposal of equity investments to the subsidiaries without loss of control

The equity premium in the capital reserves in the consolidated balance sheet will be adjusted at the difference between the disposal price obtained from partial disposal of long-term equity investments to the subsidiaries without loss of control and the share of net assets of the subsidiaries calculated continuously from the acquisition date or combination date corresponding to the disposal of the long-term equity investments; if the equity premium in the capital reserves is insufficient to be offset, the retained earnings will be adjusted.

(VIII) Classification of joint venture arrangements and accounting treatment methods of joint operation

1. Classification of joint venture arrangements

The Company classifies joint venture arrangements into joint operations and joint ventures based on the structure and legal form of the joint venture arrangements, the terms agreed in the joint venture arrangements, other relevant facts and circumstances. Joint operation refers to a joint arrangement in which the joint venturer enjoys the relevant assets of the arrangement and assumes the relevant liabilities of the joint venture arrangements. Joint venture refers to the joint venture arrangements in which the joint venturer only has rights to the net assets of the arrangement.

2. Accounting treatment methods of joint operation

The Company recognizes the following items related to the Company in the share of interests in joint operations and carries out accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises:

(1) Recognize the assets held separately, and recognize the assets jointly held according to its share;

(2) Recognize the liabilities it solely assumes, and recognize the liabilities it jointly assumes according to its share;

(3) Recognize the revenue arising from the sale of its share of joint operations output;

(4) Recognize the revenue arising from the sale of output from joint operations according to its share;

(5) Recognize the expenses incurred separately and the expenses incurred by the joint operations according to its share.

When the Company invests or sells assets to the joint operations (except for assets constituting a business), only the part of the profit or loss attributable to other participants of the joint operations is recognized before the assets are sold by the joint operations to a third party. If the assets invested or sold suffer from asset impairment loss, the Company shall recognize the loss in full.

When the Company purchases assets from joint operations (except for assets that constitute a business), it only recognizes the portion of the profit or loss attributable to other participants in the joint operations before selling the assets to a third party. If the purchased assets suffer from asset impairment loss, the Company shall recognize the loss according to the share assumed.

(IX) Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the cash on hand and the deposits that can be readily available for payment of the Company are recognized as cash. Cash equivalents refer to short-term (generally maturing within three months from the acquisition date) 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.

(X) Foreign currency transactions and translation of foreign currency statements

1. Foreign currency transactions

At the initial recognition of foreign currency transactions, the spot exchange rate on the date of transaction is used as the conversion exchange rate to convert it into RMB for bookkeeping.

On the balance sheet date, the foreign currency monetary item shall be converted according to the spot exchange rate on the balance sheet date, and the exchange differences arising therefrom shall be included in the current profit or loss, except that the exchange differences arising from the special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization shall be treated according to the principle of capitalization of borrowing costs. Foreign currency non-monetary items measured at historical cost shall still be translated at the spot exchange rate on the date when the transaction occurs, and the amount in recording currency shall remain unchanged.

Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The difference between the amount in recording currency after translation and the amount in recording currency before translation shall be treated as profit or loss from changes in fair value (including fluctuation in exchange rate), and shall be included in the current profit or loss or recognized as other comprehensive income.

2. Conversion of foreign currency financial statements

The assets and liabilities items in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. And the owners' equity shall be converted at the spot exchange rate when the transactions occur except for the "undistributed profits". The revenue and expense items in the income statement are translated at the average exchange rate for the current period. The difference arising from the translation of foreign-currency financial statements arising from the above translation shall be included in other comprehensive income.

When disposing of overseas operation, the difference arising from the translation of foreign-currency financial statements listed in other comprehensive income items in the balance sheet and related to the overseas operation shall be transferred from other comprehensive income items to the current profit or loss on disposal; when the proportion of the overseas operation interests held decreases due to the partial disposal of equity investments or for other reasons, without the loss of control over the overseas operation, the translation differences of foreign currency statements related to the disposal of the overseas operation shall be attributable to minority interests and shall not be transferred to the current profit or loss. Where the Company disposes of part of the equity of an overseas operation as associates or joint ventures, the translation differences of foreign currency statements related to the overseas operation shall be transferred to the current profit or loss at the proportion of disposal of the overseas operation.

(XI) Financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

Effective interest method refers to the method of calculating the amortized costs of financial assets or financial liabilities and allocating interest income or interest expenses to each accounting period.

Effective interest rate refers to the interest rate used to discount the estimated future cash flows of a financial asset or financial liabilities during its expected duration to the book balance of the financial assets or the amortized costs of the financial liabilities. In determining the effective interest rate, the estimated cash flows are based on consideration of all contract terms of the financial assets or financial liabilities (e.g. prepayment, extension, call option or other similar options) but not expected credit loss.

The amortized costs of a financial asset or financial liability is the initial recognition amount of the financial asset or financial liability less the principal repaid, plus or minus the accumulated amortization formed by using the effective interest method to amortize the difference between the initial recognition amount and the amount at maturity, and then less the accumulated loss provision (only applicable to financial assets).

1. Classification and measurement of financial assets

The Company classifies financial assets into the following three categories based on the business model of the financial assets under management and the contractual cash flows characteristics of the financial assets:

(1) Financial assets measured by amortized costs.

(2) Financial assets measured at fair value through other comprehensive income.

(3) Financial assets measured at fair value through the current profit or loss.

Financial assets are measured at fair value at initial recognition, but if accounts receivable or notes receivable arising from the sale of goods or the provision of services do not contain a significant financing component or do not take into account a financing component of less than one year, they are initially measured at transaction prices.

For financial assets measured at fair value through the current profit or loss, the relevant transaction costs are directly included in the current profit or loss, and the relevant transaction costs of other types of financial assets are included in their initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified only when and if the Company changes the business model of managing financial assets.

(1) Financial assets classified as those measured at amortized costs

The contract terms of the financial assets provide that the cash flows generated on a specific date are only the payment of the principal and interest based on the outstanding principal amount, and the business model for managing the financial assets is aimed at collecting contractual cash flows, then the Company classifies the financial assets as financial assets measured at amortized costs. Financial assets classified by the Company as those measured at amortized costs include monetary funds, notes receivable and accounts receivable, other receivables, long-term receivables, debt investments, etc.

The Company recognizes interest income of such financial assets by effective interest method, and subsequently measures them at amortized costs. Gains or losses arising from impairment or derecognition or modification are included in the current profit or loss. Except for the following circumstances, the Company determines the interest income based on the book balance of the financial assets multiplied by the effective interest rate:

(1) For purchased or originated financial assets with credit impairment, the Company shall, from the initial recognition, calculate and determine the interest income according to the amortized costs and credit-adjusted effective interest rate of the financial assets.

(2) For purchased or originated financial assets that have not experienced credit impairment but become credit impairment in subsequent periods, the Company shall calculate and determine their interest income in subsequent periods according to the amortized costs and effective interest rate of the financial assets. If the financial instruments no longer have credit impairment due to the improvement of its credit risk in subsequent periods, the Company shall calculate and determine the interest income by multiplying the effective interest rate by the book balance of the financial assets.

(2) Financial assets classified as measured at fair value through other comprehensive income

If the contract terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount, and the business model of managing the financial assets aims at both collecting contractual cash flows and selling the financial assets, the Company classifies the financial assets as the financial assets measured at fair value through other comprehensive income.

The Company recognizes interest income on such financial assets using the effective interest method. Except for interest income, impairment losses and exchange differences recognized as current profit or loss, other changes in fair value are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in the other comprehensive income shall be transferred from other comprehensive income and included in the current profit or loss. Notes receivable and accounts receivable measured at fair value through other comprehensive income are presented as receivables financing, and other such financial assets are presented as other debt investments, of which: other debt investments maturing within one year from the balance sheet date are presented as non-current assets maturing within one year, and other debt investments with original maturity date within one year are presented as other current assets.

(3) Financial assets designated to be measured at fair value through other comprehensive income

At the time of initial recognition, the Company may irrevocably designate non-trading equity instruments investments as financial assets measured at fair value through other comprehensive income on an individual financial asset basis.

Changes in the fair value of such financial assets are included in other comprehensive income without provision for impairment. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings. During the period when the Company holds the investments in equity instruments, when the Company's right to receive dividends has been established, the economic benefits related to the dividends are likely to flow into the Company, and the amount of the dividends can be measured reliably, the dividend revenue is recognized and included in the current profit or loss. The Company lists such financial assets in the investments in other equity instruments.

If the investments in equity instruments meets one of the following conditions, they belong to the financial assets measured at fair value through the current profit or loss: the purpose of obtaining the financial assets is mainly for sale in the near future; it is part of the portfolio of identifiable financial assets instruments under centralized management at the time of initial recognition, and there is objective evidence that a short-term profit model actually exists in the near future; they belong to derivative instruments (except for derivative instruments that meet the definition of financial guarantee contract and are designated as effective hedging instruments).

(4) Financial assets classified as measured at fair value through current profit or loss

Financial assets that do not meet the conditions for classification as amortized costs measured or measured at fair value through other comprehensive income are included in other comprehensive income, and are not designated as financial assets measured at fair value through other comprehensive income, are classified as financial assets measured at fair value through the current profit or loss.

The Company adopts fair value for subsequent measurement of such financial assets, and includes the gains or losses arising from changes in fair value and the dividends and interest income related to such financial assets into the current profit or loss.

The Company presents such financial assets in the items of financial assets held for trading and other non-current financial assets according to their liquidity.

(5) Financial assets designated to be measured at fair value through current profit or loss

At the time of initial recognition, in order to eliminate or significantly reduce the accounting mismatch, the Company may irrevocably designate the financial assets as the financial assets measured at fair value through the current profit or loss on an individual financial asset basis.

If a mixed contract contains one or more embedded derivative instruments and its master contract does not belong to the above financial assets, the Company may designate it as a financial instrument measured at fair value through the current profit or loss. However, the following conditions are excluded:

(1) Embedded derivative instrument does not significantly change the cash flow of the mixed contract.

(2) When initially determining whether similar mixed contracts need to be split, it is almost clear that the embedded derivative instruments contained therein should not be split without analysis. For example, the embedded prepayment right allows the holder to prepay the loan in an amount close to the amortized costs. The prepayment right does not need to be split.

The Company adopts fair value for subsequent measurement of such financial assets, and includes the gains or losses arising from changes in fair value and the dividends and interest income related to such financial assets into the current profit or loss.

The Company presents such financial assets in the items of financial assets held for trading and other non-current financial assets according to their liquidity.

2. Classification and measurement of financial liabilities

The Company classifies the financial instrument or its components as financial liabilities or equity instruments at initial recognition based on the contract terms of the financial instruments issued and the economic substance reflected therein, rather than solely in legal form, in combination with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as: financial liabilities measured at fair value through the current profit or loss, other financial liabilities, and derivative instruments designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value through the current profit or loss, the relevant transaction costs are directly included in the current profit or loss; for other types of financial liabilities, the relevant transaction costs are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured by fair value through the current profit or loss

Such financial liabilities include financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and financial liabilities designated to be measured at fair value through the current profit or loss at initial recognition.

Financial liabilities held for trading are those that meet one of the following conditions: the purpose of assuming the relevant financial liabilities is mainly to sell or repurchase in the near future; they belong to the part of the portfolio of identifiable financial instruments under centralized management, and there is objective evidence that the enterprise has recently adopted a short-term profit model; they belong to derivative instrument, except for derivative instrument designated as effective hedging instrument and derivative instrument in compliance with financial guarantee contract. Financial liabilities held for trading (including derivative instruments belonging to financial liabilities) shall be subsequently measured at fair value. Except for those related to hedge accounting, changes in fair value shall be included in the current profit or loss.

At the time of initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates the financial liabilities meeting one of the following conditions as the financial liabilities measured at fair value through the current profit or loss:

(1) Eliminate or significantly reduce accounting mismatch.

(2) According to the enterprise risk management or investment strategies stated in formal written documents, the Company manages and evaluates the performance of the financial liabilities portfolio or the portfolio of financial assets and financial liabilities on the basis of the fair value, and reports to the key officers within the enterprise on this basis.

The Company adopts fair value for subsequent measurement of such financial liabilities. Except for the changes in fair value caused by the Company's own changes in credit risk, which are included in other comprehensive income, other changes in fair value are included in the current profit or loss. Unless the inclusion of fair value changes caused by the Company's own credit risk changes in other comprehensive income would cause or enlarge the accounting mismatch in the profit or loss, the Company will include all fair value changes (including the amount affected by its own credit risk changes) in the current profit or loss.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized costs. For such financial liabilities, the effective interest method is adopted, and subsequent measurement is carried out according to the amortized costs. Gains or losses arising from derecognition or amortization are included in the current profit or loss:

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

(2) The transfer of financial assets does not meet the conditions for derecognition or continues to be involved in the financial liabilities formed by the transferred financial assets.

(3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under (1) category of this article and have loans at below-market interest rates.

Financial guarantee contracts refer to contracts that require the issuer to pay a specified amount to the contract holder who has suffered losses when a particular debtor is unable to pay a debt due in accordance with the original or modified debt instrument terms. Financial guarantee contracts not belonging to the financial liabilities designated to be measured by fair value through the current profit or loss shall be measured at the amount of loss provision or the balance of the initial recognition amount deducting the accumulated amortization amount within the guarantee period after initial recognition, whichever is higher.

3. Derecognition of financial assets and financial liabilities

(1) If a financial asset meets one of the following conditions, the financial asset shall be derecognized, that is, it shall be written off from its account and balance sheet:

(1) The contractual right to receive the cash flows of the financial assets is terminated.

(2) The financial assets have been transferred and the transfer meets the requirements for derecognition of the financial assets.

(2) Derecognition criteria of financial liabilities

If the present obligations of the financial liabilities (or part thereof) have been discharged, the financial liabilities (or part thereof) shall be derecognized.

If the Company enters into an agreement with the lender to replace the original financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities are substantially different from those of the original financial liabilities, or the contract terms of the original financial liabilities (or part thereof) are substantially modified, the original financial liabilities shall be derecognized and a new financial liability shall be recognized at the same time. The difference between the book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit or loss.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities as a whole shall be allocated according to the proportion of the fair value of the continuously recognized part and the derecognized part on the repurchase date to the overall fair value. The difference between the book value allocated to the derecognized part and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit or loss.

4. Recognition basis and measurement method of transfer of financial assets

When a financial asset is transferred, the Company assesses the extent of the risks and rewards associated with the ownership of the financial assets it retains, and deals with them according to the following circumstances:

(1) Where the Company transfers substantially all the risks and rewards related to the ownership of a financial assets, the financial assets shall be derecognized, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities.

(2) If the Company retains nearly all the risks and rewards related to the ownership of the financial assets, the financial assets shall continue to be recognized.

(3) Neither transfer nor retain substantially all the risks and rewards of ownership of the financial assets (i.e. circumstances other than (1) and (2) of this article), it shall be handled according to the following circumstances based on whether it retains the control over the financial assets:

  (1) If the Company doesn't retains the control over the financial assets, the financial assets shall be derecognized, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities.

  (2) If the Company retains the control over the financial assets, it shall continue to recognize the relevant financial assets according to the extent of its continuous involvement in the transferred financial assets, and recognize the relevant liabilities accordingly. The degree of continuous involvement in the transferred financial assets refers to the degree of the risk or reward of changes in the value of transferred financial assets undertaken by the Company.

The principle of substance over form shall be adopted when judging whether the transfer of financial assets satisfies the above-mentioned derecognition criteria of financial assets. The Company divides the transfer of financial assets into the overall transfer and the partial transfer of financial assets.

(1) If the overall transfer of the financial assets meets the derecognition criteria, the difference between the following two amounts shall be included in the current profit or loss:

  (1) The book value of the transferred financial assets on the derecognition date.

  (2) The sum of the consideration received from the transfer of financial assets and the amount corresponding to the derecognized part of the accumulated amount of changes in fair value originally and directly included in the other comprehensive income (the financial assets involved in the transfer are classified as the financial assets measured at fair value through the other comprehensive income).

(2) If the financial assets are partially transferred and the transferred portion satisfies the derecognition criteria as a whole, the entire book value of the financial assets before the transfer shall be amortized between the derecognized portion and the continuously recognized portion (in this case, the retained service assets shall be deemed as part of the continuously recognized financial assets) according to their respective relative fair values on the transfer date, and the underrecognized part according to their respective relative fair values on the transfer date, and then the difference between the following two amounts shall be recorded into the current profit or loss:

(1) The book value of the derecognized part on the derecognition date.

(2) The sum of the consideration received from the derecognized part and the corresponding amount of derecognized part in the accumulated amount of changes in fair value originally included in the other comprehensive income (the financial assets involved in the transfer are classified as the financial asset measured at fair value through other comprehensive income).

If the transfer of financial assets does not satisfy the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liabilities.

5. Determination method of fair value of financial assets and financial liabilities

The fair value of financial assets or financial liabilities with an active market is determined by the quoted price of the active market, unless there is a restricted period for the asset itself. For financial assets with restricted sales for the asset itself, the compensation amount required by the market participant for bearing the risk of not being able to sell the financial assets in the open market within the specified period shall be deducted from the quoted price in the active market. Quotations in active markets include quotations for the relevant assets or liabilities that are readily and regularly available from exchanges, traders, brokers, industry groups, pricing agencies or regulatory authorities, and represent actual and frequent market transactions on an arm's length basis.

The fair value of financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of market transaction prices.

For financial assets or financial liabilities without active market, the fair value shall be determined by valuation techniques. In the valuation, the Company adopts the valuation techniques that are applicable in the current situation and supported by sufficient available data and other information, selects the inputs that are consistent with the characteristics of the assets or liabilities considered by market participants in the transaction of the relevant assets or liabilities, and gives priority to the use of relevant observable inputs as much as possible. When relevant observable inputs cannot be obtained or are impracticable to obtain, unobservable inputs are used.

6. Impairment of financial instruments

The Company shall conduct impairment accounting and recognize loss provisions on the basis of expected credit losses for financial assets measured at amortized costs, financial assets classified as measured at fair value through other comprehensive income, lease receivables, contract assets, loan commitments that are not financial liabilities measured at fair value through the current profit or loss, financial liabilities that are not measured at fair value through the current profit or loss, and financial guarantee contracts that are formed due to the transfer of financial assets that do not meet the conditions for derecognition or continuous involvement in the transferred financial assets.

Expected credit loss refers to the weighted average of credit loss of financial instruments with the risk of default as the weight. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company, discounted at the original effective interest rate, that is, the present value of all the cash shortages. Among them, the financial assets purchased or originated by the Company that have incurred credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustment.

The Company measures the loss provision for all contract assets, notes receivable and accounts receivable arising from transactions regulated by the revenue standards at an amount equivalent to the expected credit loss during the entire duration.

For financial assets purchased or originated that have incurred credit impairment, only the cumulative change in expected credit loss during the entire duration since initial recognition is recognized as loss provision on the balance sheet date. On each balance sheet date, the amount of changes in expected credit loss during the entire duration is included in the current profit or loss as an impairment loss or gain. The favorable change in expected credit loss is recognized as impairment gain even if the expected credit loss during the entire duration determined on the balance sheet date is less than the expected credit loss reflected in the estimated cash flows at the time of initial recognition.

For financial assets other than those subject to simplified measurement and purchased or originated that have suffered from credit impairment, the Company assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition on each balance sheet date, and measures its loss provisions, recognizes expected credit losses and their changes respectively according to the following circumstances:

(1) If the credit risk of the financial instruments has not increased significantly since the initial recognition and is in the first stage, the loss provision is measured at an amount equal to the expected credit loss of the financial instruments over the next 12 months, and the interest income is calculated based on the book balance and effective interest rate.

(2) If the credit risk of the financial instruments has increased significantly since the initial recognition but has suffered from credit impairment, it is in the second stage, and its loss provision is measured at an amount equivalent to the expected credit loss of the financial instruments during the entire duration and the interest income is calculated according to the book balance and the effective interest rate.

(3) If the financial instruments have suffered from credit impairment since its initial recognition, which is in the third stage, the Company measures its loss provision at an amount equal to the expected credit loss of the financial instruments during the entire duration, and calculates interest income based on amortized costs and effective interest rate.

The increase or reversal of the provision for credit loss of financial instruments shall be included in the current profit or loss as impairment loss or gain. Except for financial assets classified as measured at fair value through other comprehensive income, the provision for credit loss offsets the book balance of financial assets. For financial assets classified as measured at fair value through other comprehensive income, the Company recognizes the provision for credit loss in other comprehensive income without reducing the book value of the financial assets presented in the balance sheet.

In the previous accounting period, the Company has measured the loss provision according to the amount equivalent to the expected credit loss of the financial instruments during the entire duration. However, on the current balance sheet date, the financial instruments no longer belong to the situation where the credit risk has increased significantly since the initial recognition. On the current balance sheet date, the Company measures the loss provision of the financial instruments according to the amount equivalent to the expected credit loss in the next 12 months, and the reversal amount of the resulting loss provision is included in the current profit or loss as impairment gains.

(1) Significant increase in credit risk

The Company uses reasonable and well-founded forward-looking information available to determine whether the credit risk of the financial instruments has increased significantly since initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date. For financial guarantee contracts, the Company applies the impairment of financial instruments regulations, and the date on which the Company becomes a party to the irrevocable commitment is the initial recognition date.

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

(1) Whether the actual or expected operating results of the debtor have changed significantly;

(2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;

(3) Whether there are significant changes in the value of collateral used as debt collateral or the quality of guarantee or credit enhancement provided by a third party, which are expected to reduce the economic motivation of the debtor to repay the debt within the contract period or affect the probability of default;

(4) Whether the debtor's expected performance and repayment behavior have changed significantly;

(5) Whether there is any change in the Company's credit management method for financial instruments, etc.

On the balance sheet date, if the Company judges that the financial instruments only have low credit risk, the Company assumes that the credit risk of the financial instruments has not increased significantly since the initial recognition. If the default risk of the financial instruments is low, the borrower's ability to fulfill its contractual cash flow obligation in the short term is strong, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligation, then the financial instruments is considered to have a low credit risk.

(2) Financial assets with credit impairment

In case of one or more events having an adverse effect on the expected future cash flows of the financial assets, the financial assets will be taken as the financial assets with credit impairment. Evidence that the financial assets has credit impairment includes the following observable information:

(1) The issuer or the debtor suffers from severe financial difficulties;

(2) The debtor breaches the contract, such as default or delay in repayment of interest or principal;

(3) The creditor gives the debtor any concession that it would not make under any other circumstances for economic or contractual considerations related to the debtor's financial difficulties;

(4) The debtor is likely to go bankrupt or undergo other financial reorganization;

(5) The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;

(6) Purchase or originate a financial asset at a substantial discount that reflects the fact that a credit loss has occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by separately identifiable events.

(3) Determination of expected credit loss

The Company assesses the expected credit loss of financial instruments based on individual and portfolio, and considers reasonable and well-founded information about past events, current conditions and future economic conditions when assessing the expected credit loss.

The Company divides financial instruments into different portfolios based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: type of financial instruments, credit risk rating, aging portfolio, contract settlement cycle, debtor's industry, etc. The individual assessment criteria and portfolio credit risk characteristics of the relevant financial instruments are detailed in the accounting policies of the relevant financial instruments.

The Company determines the expected credit loss of the relevant financial instruments according to the following methods:

(1) For financial assets, the credit loss is the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be received.

(2) For lease accounts receivable, the credit loss is the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be received.

(3) For financial guarantee contracts, the credit loss is the present value of the difference between the expected payment to be made by the Company to the holder of such contract for credit losses incurred by the holder of such contract, less the amount the Company expects to collect from the holder of such contract, the debtor or any other party.

(4) For financial assets that have incurred credit impairment on the balance sheet date but not those purchased or originated that have incurred credit impairment, the credit loss is the difference between the book balance of the financial assets and the present value of the estimated future cash flows discounted at the original effective interest rate.

The method of measuring the expected credit loss of financial instruments of the Company reflects the following factors: the weighted average amount of unbiased probability determined by evaluating a series of possible results; time value of money; reasonable and well-founded information about past events, current conditions and projections of future economic conditions that can be obtained without unnecessary additional cost or effort on the balance sheet date.

(4) Write-down of financial assets

When the Company no longer reasonably expects that the contractual cash flows of the financial assets can be recovered in whole or in part, the book balance of the financial assets shall be directly written down. Such write-downs constitute the derecognition of the relevant financial assets.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet without offsetting each other. However, if the following conditions are met at the same time, the net amount after mutual offset shall be listed in the balance sheet:

(1) The Company has the legal right to offset the recognized amount, and such legal right is currently enforceable;

(2) The Company plans to settle on a net basis, or to realize the financial assets and settle the financial liabilities at the same time.

(XII) Notes receivable

See Note III.(XI) 6 Impairment of financial instruments for the determination method and accounting treatment method of the expected credit loss of the Company's notes receivable.

When it is impossible to evaluate sufficient evidence of expected credit loss at a reasonable cost at the level of a single instrument, the Company shall, with reference to historical credit loss experience, combine the current situation and the judgment of future economic conditions, divide the notes receivable into several portfolios based on the credit risk characteristics, and calculate the expected credit loss on the basis of the portfolio. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio of bank acceptance bill	The drawer has a high credit rating, no default on bills in history, extremely low credit loss risk, and a strong ability to fulfill its obligations to pay contractual cash flows in a short term.	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration.
Portfolio of commercial acceptance bill	The acceptor is an enterprise with relatively high credit risk.	With reference to accounts receivable, it is accrued according to the comparison table of aging and expected credit loss rate during the entire duration.

The comparison table of aging and expected credit loss rate of the aging portfolio is as follows:

Aging	Expected credit loss rate (%)
Within 1 year	5.00

(XIII) Accounts receivable

See Note III.(XI) 6 Impairment of financial instruments for the determination method and accounting treatment method of the expected credit loss of the Company's accounts receivable.

For accounts receivable with credit risk significantly different from portfolio credit risk, the Company shall make provision for expected credit loss on an individual basis. The Company determines the credit loss of accounts receivable with sufficient evidence to assess the expected credit loss at a reasonable cost at the level of a single instrument.

When it is impossible to evaluate the sufficient evidence of expected credit losses at a reasonable cost at the level of a single instrument, the Company shall, with reference to historical credit loss experience, combine the current situation and the judgment of future economic conditions, divide the accounts receivable into several portfolios based on the credit risk characteristics, and calculate the expected credit loss on a portfolio basis. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio of related parties within the consolidation scope	Accounts receivable of related parties included in the consolidation scope	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration
Aging portfolio	Accounts receivable portfolio with similar credit risk characteristics by aging	Calculated according to the comparison table of the aging and the expected credit loss rate during the entire duration.

The comparison table of aging and expected credit loss rate of the aging portfolio is as follows:

Aging	Expected credit loss rate (%)
Within 1 year	5.00
1-2 years	10.00
2-3 years	20.00
3-4 years	50.00
4-5 years	50.00
Over 5 years	100.00

The aging of accounts receivable is calculated on a first-in-first-out basis.

(XIV) Receivables financing

Notes receivable classified as measured at fair value through other comprehensive income are presented as receivables financing if their maturity is within one year (including one year) from the date of initial recognition.

See Note III.(XI) 6 Impairment of financial instruments for the determination method and accounting treatment of the Company's expected credit loss of receivables financing.

(XV) Other receivables

See Note III.(XI) 6 Impairment of financial instruments for the determination method and accounting treatment of the Company's expected credit loss of other receivables.

For other receivables with credit risk significantly different from portfolio credit risk, the Company shall make provision for expected credit loss on an individual basis. The Company determines the credit loss of other receivables that can be assessed at a reasonable cost at the level of individual instruments with sufficient evidence of expected credit loss.

When it is impossible to evaluate sufficient evidence of expected credit losses at a reasonable cost at the level of a single instrument, the Company refers to historical credit loss experience, combines current conditions and judgments about future economic conditions, and divides other receivables into several portfolios based on credit risk characteristics, and calculates expected credit losses on a portfolio basis. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio I	Guarantee deposit, reserve fund, temporary payment and other nature payments	The expected credit loss is accrued through the exposure at default and the expected credit loss rate in the next 12 months or during the entire duration.
Portfolio II	Other receivables of related parties included in the consolidation scope	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration.

The comparison table of aging and expected credit loss rate of the aging portfolio is as follows:

Aging	Expected credit loss rate *(%)*
Within 1 year	5.00
1-2 years	10.00
2-3 years	20.00
3-4 years	50.00
4-5 years	50.00
Over 5 years	100.00

The aging of other receivables is calculated on a first-in-first-out basis.

(XVI) Inventories

1. Inventory category, measurement method of dispatched inventories, inventory system, amortization method of low-value consumables and packaging materials

(1) Inventory category

Inventories refer to the finished products or commodities held by the Company for sale in daily activities, products in progress in the production process, materials and supplies consumed in the production process or labor service process, etc. It mainly includes raw materials, circulating materials, consigned processing materials, products in progress, self-manufactured semi-finished products, stock commodities, dispatched goods, etc.

(2) Measurement method of dispatched inventories

When inventories are acquired, they are initially measured at cost, including purchase cost, processing cost and other cost. Inventories are measured at the weighted average method at the end of the month when dispatched.

(3) Amortization method of low-value consumables and packaging materials

(1) Low-value consumables are amortized by the one-time write-off method.

(2) Packaging materials are amortized by the one-time write-off method.

(3) Other circulating materials are amortized by the one-time write-off method.

2. Recognition standards and methods for provision for inventory depreciation

After a comprehensive inventory check at the end of the period, the provision for inventory depreciation shall be withdrawn or adjusted according to the lower of the cost of the inventory or the net realizable value. For commodity inventories for direct sale, including finished products, stock commodities and materials for sale, the net realizable value shall be recognized at the estimated selling price less the estimated selling expenses and the relevant taxes and surcharges of the inventories in the normal production and operation process. For material inventories to be processed, the net realizable value shall be recognized at the estimated selling price of finished products less estimated costs to completion, estimated selling expenses and relevant taxes and surcharges in the normal production and operation process. The net realizable value of the inventories held for the execution of the sales contract or service contract shall be calculated on the basis of the contract price; if the quantity of the inventories held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventories shall be calculated on the base of the general selling price.

At the end of the year, the provision for inventory depreciation is made on an individual basis; however, for inventories with large quantity and low unit price, the provision for inventory depreciation shall be made according to the inventory categories. For inventories related to the series of products manufactured and sold in the same area, with the same or similar final use or purpose, and difficult to be measured separately from other items, the provision for inventory depreciation shall be made on a consolidated basis.

If the factors that caused the previous write-down of inventories have disappeared, the amount of the write-down will be restored and reversed from the amount of provision for inventory depreciation that was originally accrued, and the reversed amount will be included in the current profit or loss.

(4) The perpetual inventory system is adopted for inventory taking purpose.

(XVII) Long-term equity investments

1. Determination of the initial investment cost

(1) For long-term equity investments formed by business combination, please refer to Note III(VI) Accounting treatment of business combination under common control and not under common control for specific accounting policies.

(2) Long-term equity investments obtained by other means.

For long-term equity investments acquired by making payments in cash, the actually paid purchase price shall be taken as the initial investment cost. The initial investment cost includes the expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments.

Long-term equity investments obtained from the issuance of equity securities shall be taken as the initial investment cost according to the fair value of the issuance of equity securities. Transaction expenses incurred in issuing or acquiring self-owned equity instruments can be deducted from equity if they are directly attributable to equity transactions.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets received or the assets surrendered can be measured reliably, the initial investment cost of the long-term equity investments received from the exchange of non-monetary assets shall be determined on the basis of the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the assets received is more reliable; for exchange of non-monetary assets that do not meet the above prerequisites, the book value of the assets surrendered and the relevant taxes and surcharges payable shall be taken as the initial investment cost of the long-term equity investments received.

For long-term equity investments acquired through debt restructuring, the initial investment cost is determined based on fair value.

2. Subsequent measurement and recognition of profit or loss

(1) Cost method

The Company can use the cost method to account for the long-term equity investments that can control the investee, and value it according to the initial investment cost, and add or recover the investment to adjust the cost of the long-term equity investments.

Besides the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration that have been declared but not yet distributed, the Company recognizes the current investment income according to the cash dividends or profit declared to be distributed according to the investee.

(2) Equity method

The Company adopts accounting by equity method for the long-term equity investments of associates and joint ventures; for equity investments in associates held indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, they are measured at fair value through profit or loss.

If the initial investment cost of the long-term equity investments is greater than the share of fair value of identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investments will not be adjusted; the difference between the initial investment cost and the share of fair value of identifiable net assets of the investee at the time of investment shall be included in current profit or loss.

After the Company obtains the long-term equity investments, it shall recognize the investment income and other comprehensive income respectively according to the share of net profit or loss and other comprehensive income realized by the investee that should be enjoyed or shared, and adjust the book value of the long-term equity investments at the same time; the book value of the long-term equity investments shall be reduced according to the part to be enjoyed calculated according to the profits or cash dividends declared to be distributed by the investee; for other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, the book value of long-term equity investments shall be adjusted and included in owners' equity.

When recognizing the share of net profit or loss of the investee, the Company shall recognize the net profit of the investee after adjustment based on the fair value of each identifiable asset of the investee at the time of acquisition of the investment. Unrealized profit or loss from internal transactions between the Company and its associates and joint ventures are offset at the proportion attributable to the Company and recognized as the investment profit or loss on this basis.

When the Company recognizes the losses incurred by the investee that shall be shared, it shall be treated in the following order: first, the book value of the long-term equity investments shall be offset. Secondly, if the book value of the long-term equity investments is insufficient to offset, the investment losses shall continue to be recognized to the extent of other long-term equity book value that substantially constitute the net investment in the investees to offset the book value of long-term receivables and other items. Finally, after the above treatment, if the enterprise still undertakes additional obligations as agreed in the investment contract or agreement, the estimated liabilities shall be recognized according to the estimated obligations and included in the current investment loss.

If the investee realizes profits in subsequent periods, the Company shall, after deducting the unrecognized loss sharing, deal with it in the reverse order of the above, write down the book balance of the recognized estimated liabilities, restore the book value of other long-term equity and long-term equity investments that substantially constitute the net investment in the investee, and resume the recognition of investment income.

3. Conversion of accounting methods for long-term equity investments

(1) Measurement at fair value transferred to accounting by equity method

For the equity investment originally held by the Company that does not have control, joint control or significant influence on the investee and is accounted for in accordance with the recognition and measurement standards for financial instruments, if it can exert significant influence on the investee or exercise joint control but does not constitute control due to additional investment or other reasons, the sum of the fair value of the equity investments originally held as determined in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments plus the newly increased investment cost shall be taken as the initial investment cost of the accounting by equity method.

If the initial investment cost under the accounting by equity method is less than the difference between the fair value of identifiable net assets share of the investee on the date of additional investment calculated according to the new shareholding ratio after the additional investment, the book value of the long-term equity investments shall be adjusted and included in the current non-operating revenue.

(2) Measurement at fair value or accounting by equity method to accounting by cost method

For equity investments originally held by the Company that does not have control, joint control or significant influence on the investee and is accounted for in accordance with the recognition and measurement standards of financial instruments, or for long-term equity investments originally held in associates and joint ventures that can exercise control over the investee not under common control due to additional investment, the sum of the book value of the equity investments originally held and the newly increased investment cost shall be taken as the initial investment cost accounted for under the cost method in the preparation of individual financial statements.

For other comprehensive income recognized by accounting by equity method for equity investments held before the acquisition date, accounting treatment shall be made on the same basis as the investee directly disposes of the relevant assets or liabilities when disposing of the investment.

If the equity investments held before the acquisition date are accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the accumulated changes in fair value originally included in other comprehensive income shall be transferred to the current profit or loss when they are accounted for under the cost method.

(3) Accounting by equity method transferred to measurement at fair value

If the Company loses common control or significant influence on the investee due to the disposal of part of the equity investments or other reasons, the remaining equity after disposal shall be accounted for in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of common control or significant influence shall be included in the current profit or loss.

For the other comprehensive income of the original equity investments recognized by adopting the accounting by equity method, the accounting treatment shall be made on the same basis for the direct disposal of the relevant assets or liabilities by the investees when the accounting by equity method is terminated.

(4) Cost method to equity method

If the Company loses control over the investee due to disposal of part of the equity investments and other reasons, when preparing individual financial statements, if the remaining equity after disposal can exercise common control or significant influence on the investee, the accounting by equity method shall be adopted, and the remaining equity shall be adjusted as if it had been accounted by equity method since the acquisition.

(5) Cost method to measurement at fair value

If the Company loses control over the investee due to disposal of part of the equity investment and other reasons, when preparing individual financial statements, if the remaining equity after disposal cannot exercise common control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value and book value on the date of loss of control shall be included in the current profit or loss.

4. Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price obtained shall be included in the current profit or loss. For long-term equity investments accounted for using the equity method, accounting treatment shall be made for the part originally included in the other comprehensive income according to the corresponding ratio on the same basis as that for the investees to directly dispose of the relevant assets or liabilities when disposing of the investment.

If the terms, conditions and economic impact of the disposal of equity investments in subsidiaries meet one or more of the following conditions, multiple transactions will be accounted for as a package of transactions:

(1) These transactions are concluded at the same time or under the consideration of mutual effect;

(2) Only these transactions as a whole can reach a complete commercial result;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction; and

(4) A single transaction is uneconomical but it is economical when considered together with other transactions.

If the control over the original subsidiary is lost due to the disposal of part of the equity investments or other reasons, it is not a package of transactions to distinguish individual financial statements and consolidated financial statements for relevant accounting treatment:

(1) In individual financial statements, for the disposed equity, the difference between the book value and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exercise common control or significant influence on the investee, it shall be changed to accounting by equity method, and the remaining equity shall be adjusted as if it had been accounted by equity method since the acquisition; if the remaining equity after disposal cannot exercise common control or significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of control shall be included in the current profit or loss.

(2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, the difference between the disposal price and the disposal long-term equity investments corresponding to the share of the subsidiary's net asset share calculated continuously from the acquisition date or the combination date shall be adjusted to the capital reserve (equity premium). If the capital reserve is insufficient to offset, the retained earnings shall be adjusted; when the right of control over the subsidiary is lost, the remaining equity shall be re-measured at its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, less the share of net assets of the original subsidiary calculated continuously from the acquisition date according to the original shareholding ratio, shall be included in the investment income of the current loss of control, and the goodwill shall be offset at the same time. Amount of the other comprehensive income relating to the equity investment of the original subsidiary will be transferred to the current investment income at the time of loss of control.

If the disposal of various transactions of equity investments in subsidiaries until the loss of control belongs to a package of transactions, each transaction shall be accounted for as a transaction of disposal of equity investments in subsidiaries and loss of control, and the relevant accounting treatment shall be carried out by distinguishing individual financial statements and consolidated financial statements:

(1) In individual financial statements, the difference between each disposal price before the loss of control and the book value of the long-term equity investments corresponding to the disposed equity is recognized as other comprehensive income, and is transferred to the profit or loss of the period when the loss of control occurs.

(2) In the consolidated financial statements, the difference between each disposal price and the share of net asset of the subsidiary corresponding to the disposal investment before the loss of control is recognized as other comprehensive income, and is transferred to the profit or loss of the current period of the loss of control when the loss of control occurs.

5. Judgment criteria for common control and significant influence

If the Company collectively controls an arrangement with other participants in accordance with the relevant agreement, and the decision on the activity that has a significant impact on the return of the arrangement only exists when it is unanimously agreed by the participants sharing the right of control, it is deemed that the Company and other participants are under common control of an arrangement, and the arrangement is a joint venture arrangement.

If the joint venture arrangement is reached through an individual entity, the Company shall be deemed to have the right to the net assets of the individual entity according to the relevant agreement, and the individual entity shall be regarded as a joint venture and the accounting by equity method shall be adopted. If it is judged that the Company does not have the right to the net assets of the individual entity according to the relevant agreement, the individual entity shall be regarded as the joint operations, and the Company shall recognize the items related to the share of interests in the joint operations and conduct accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises.

Significant influence refers to the power of the investor 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. The Company determines that it has a significant impact on the investee through one or more of the following circumstances, and after taking into account all facts and circumstances:

(1) Assign representatives in the Board of Directors or similar authorities of the investee;

(2) Participate in the formulation of financial and operating policies of the investee;

(3) Have important transactions with the investee;

(4) Dispatch management personnel to the investee;

(5) Provide key technical information to the investee.

(XVIII) Fixed assets

1. Determination conditions of fixed assets

Fixed assets refer to the tangible assets held for the purpose of producing commodities, providing services, renting or business management, and the service life exceeds one fiscal year. The fixed assets shall be recognized when all the following conditions are satisfied:

(1) It is probable that the economic benefits related to the fixed assets will flow to the Company;

(2) The cost of the fixed assets can be measured reliably.

2. Initial measurement of fixed assets

The Company's fixed assets are initially measured at cost. Including:

(1) The cost of externally purchased fixed assets includes the purchase price, import duties and other relevant taxes and surcharges, as well as other directly attributable expenses incurred to prepare the fixed assets for their intended use.

(2) The cost of a self-constructed fixed asset consists of necessary expenditures incurred before the asset reaches the working condition for its intended use.

(3) Fixed assets invested by investors are recorded at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, they are recorded at the fair value.

(4) If the payment for the purchase of fixed assets is delayed beyond the normal credit conditions and is of financing nature in essence, the cost of fixed assets shall be determined on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price shall be included in the current profit or loss within the credit period, except that it shall be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation of fixed assets is accrued over the estimated service life based on the book-entry value less the estimated net residual value. For fixed assets with provision for impairment, the depreciation amount shall be determined according to the book value after deducting the provision for impairment and the remaining useful life in the future period; no provision for depreciation is made for fixed assets that have been fully depreciated and remain in use.

The Company determines the service life and estimated net residual value of fixed assets according to the nature and use of fixed assets. At the end of the year, the Company shall review the service lives, estimated net residual value and depreciation method of the fixed assets, and make corresponding adjustments if there is any difference from the original estimates.

The depreciation methods, depreciation years and annual depreciation rates of fixed assets are as follows:

Type	**Depreciation method**	**Depreciation life** *(year)*	**Residual value rate** *(%)*	**Annual depreciation rate** *(%)*
Houses and buildings	Straight-line method	20	5	4.75
Machinery equipment	Straight-line method	10	5	9.50
Transportation equipment	Straight-line method	4-10	5	9.50-23.75
Electronic equipment	Straight-line method	3-5	5	19.00-31.66
Other equipment	Straight-line method	3-5	5	19.00-31.66

(2) Subsequent expenses of fixed assets

Subsequent expenditures related to fixed assets that meet the recognition criteria for fixed assets are included in the cost of fixed assets; if they do not meet the recognition criteria for fixed assets, they shall be included in the current profit or loss when occurred.

(3) Impairment of fixed assets

See Note (XXIII) Impairment of long-term assets for the impairment test method and the provision method for impairment of fixed assets.

(4) Disposal of fixed assets

When fixed assets are disposed of or are expected to fail to generate economic benefits after the use or disposal, the fixed assets shall be derecognized. The difference of the revenue from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes should be included in the current profit or loss.

(XIX) Construction in progress

The construction in progress self-built by the Company is measured at actual cost, which consists of necessary expenses incurred to construct the asset to reach its intended use, including the cost of materials used for the project, labor costs, relevant taxes paid, borrowing costs to be capitalized and indirect costs to be allocated.

The construction in progress is recorded as a fixed asset at the value of all expenditures incurred in constructing the asset until it reaches its intended state of use. If the construction in progress has reached the working condition for its intended use, but the final accounts for completion have not been handled, it shall be transferred to fixed assets at the estimated value according to the project budget, cost or actual cost of the project from the date when it reaches the working condition for its intended use, and the depreciation of fixed assets shall be accrued according to the Company's depreciation policy. After the final accounts for completion are handled, the original provisional estimated value shall be adjusted according to the actual cost, but the depreciation amount already accrued shall not be adjusted.

See Note (XXIII) Impairment of long-term assets for the impairment test method and the provision method for impairment of construction in progress.

(XX) Borrowing costs

1. Recognition principles for the capitalization of borrowing costs

If borrowing costs incurred by the Company can be directly attributed to the acquisition, construction or production of assets eligible for capitalization, they shall be capitalized and included in the related asset costs; other borrowing costs are recognized as expenses at the amount incurred and included in the profit or loss of the current period.

Assets eligible for capitalization refer to the fixed assets, investment properties, inventories and other assets that can reach the working conditions for their intended use or sales only after a long period of acquisition, construction or production activities.

The capitalization of borrowing costs shall commence when the following conditions are simultaneously met:

(1) Asset expenditures have occurred, including expenditures paid to acquire and construct or produce assets eligible for capitalization in forms of cash, transfer of non-cash assets or undertaking of debts bearing interest;

(2) The borrowing costs have been incurred;

(3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

2. Capitalization period of borrowing costs

Capitalization period refers to the period from the commencement of capitalization to the cessation of capitalization of borrowing costs, excluding the period of suspending capitalization of borrowing costs.

When the acquired and constructed or produced assets eligible for capitalization have reached the working conditions for their intended use or sale, the capitalization of borrowing costs shall be ceased.

When part of the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of the borrowing costs shall be ceased in terms of such part of assets.

Where all parts of the acquired and constructed or produced assets are completed separately, but the assets cannot be used or sold externally until the overall completion, the capitalization of borrowing costs of such assets shall be ceased upon the overall completion.

3. Period of suspension of capitalization

Where the acquisition and construction or production of assets eligible for capitalization are interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs shall be suspended; if the interruption is a necessary procedure for the acquired and constructed or produced assets eligible for capitalization to reach the working conditions for their intended use or sale, the borrowing costs shall continue to be capitalized. The borrowing costs occurred during the interruption period are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production activities of the assets restart.

4. Calculation method of capitalization amount of borrowing costs

The interest expenses of special borrowings (deducting the interest income obtained by depositing unused borrowing funds in the bank or the investment income obtained by making temporary investments) and its auxiliary expenses shall be capitalized before the assets purchased, constructed or produced that meet the capitalization conditions reach the expected usable or marketable state.

The amount of interest to be capitalized on general borrowings shall be calculated and determined by multiplying the weighted average of the asset expenditure of the accumulated asset expenditure in excess of the special borrowings by the capitalization rate of the general borrowings used. The capitalization rate is calculated and recognized as per the weighted average interest rate of general borrowing.

Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted by taking account of amortizable discount or premium amounts for the period at effective interest method.

(XXI) Right-of-use assets

The Company shall make the initial measurement of the right-of-use assets according to the cost, which includes:

(1) The initial measurement amount of the lease liabilities;

(2) For lease payments paid on or before the lease commencement date, if there is a lease incentive, the amount related to the lease incentive already enjoyed shall be deducted;

(3) Initial direct costs incurred by the Company;

(4) The costs expected to be incurred by the Company for the purpose of dismantling and removing the leased assets, restoring the site where the leased asset is located or restoring the leased assets to the condition agreed in the lease term (excluding the costs incurred for the production of inventory).

After the lease commencement date, the Company shall use the cost model for subsequent measurement of the right-of-use assets.

If it can be reasonably determined that the ownership of leased assets will be obtained at the expiration of the lease term, the Company shall make provision for depreciation within the remaining useful life of the leased asset. If there is no reasonable assurance that the ownership of leased assets will be obtained at the end of the lease term, the Company shall make provision for depreciation over the shorter of the lease term or the remaining useful life of the leased asset. For the right-of-use assets with provision for impairment, the depreciation shall be made in the future according to the book value after deducting the provision for impairment with reference to the above principles.

The Company determines whether the right-of-use assets have been impaired in accordance with the Accounting Standards for Business Enterprises No. 8 – Asset Impairment, and carries out accounting treatment for the identified impairment loss. For details, please refer to Note (XXIII) Impairment of long-term assets.

(XXII) Intangible assets and development expenses

Intangible assets refer to the identifiable non-monetary assets without physical form owned or controlled by the Company, including software, land use right, trademarks, patent right, etc.

1. Initial measurement of intangible assets

The costs of an externally acquired intangible asset comprise its purchase price, relevant taxes and any other expenditure directly attributable to bringing the asset to its intended use. If the purchase price of an intangible asset is delayed beyond the normal credit conditions and is substantially in the nature of financing, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

For intangible assets obtained from debt restructuring, the book-entry value of such intangible assets shall be determined on the basis of the fair value of such intangible assets, and the difference between the book value of the restructured debt and the fair value of the intangible assets used to offset the debt shall be included in the current profit or loss.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets received or the assets surrendered can be measured reliably, the book-entry value of the intangible assets received in exchange of non-monetary assets shall be determined on the basis of the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the assets received is more reliable; if the exchange of non-monetary assets does not meet the above criteria, the book value of the assets surrendered and the relevant taxes payable shall be recognized as the cost of the intangible assets received, and no profit or loss will be recognized.

The book-entry value of intangible assets acquired through absorption and merger of enterprises under common control shall be determined according to the book value of the combined party; the book-entry value of intangible assets acquired by means of absorption and merger of enterprises not under common control shall be determined at fair value.

The cost of internally developed intangible assets includes: materials cost, labor cost, registration fee, amortization of other patent right and franchise used in the development process, interest expenses that meet the capitalization conditions, and other direct expenses incurred to make the intangible assets meet the intended use.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the service life of intangible assets when obtaining them, and divides them into intangible assets with finite service life and intangible assets with indefinite service life.

(1) Intangible assets with definite service lives

Intangible assets with limited service life shall be amortized at the straight-line method within the period when it can bring economic benefits to the enterprise; the estimated service life of intangible assets with definite service lives and the basis are as follows:

Item	Estimated service life	Basis
Software	5 years	Estimated service life
Land use rights	50 years	The term stipulated in the land use right certificate
Patent right	10-20 years	
Trademark	10 years	

At the end of the period, the service life and amortization method of the intangible assets with finite service life shall be reviewed and adjusted if necessary.

(2) Intangible assets with indefinite service life

If it is impossible to predict the period when the intangible assets can bring economic benefits to the enterprise, it shall be deemed as the intangible assets with indefinite service life.

At the end of the reporting period, the Company had no intangible assets with indefinite service life.

3. Specific criteria for dividing the research stage and development stage of internal research and development project

Research stage: the stage when creative and planned investigations and research activities are carried out to acquire and understand new scientific or technological knowledge.

Development stage: a stage in which research results or other knowledge are applied to a plan or design for obtaining new or substantially improved materials, apparatuses and products prior to commercial manufacture or use.

Expenditures in the research stage of internal research and development project shall be included in the current profit or loss when incurred.

4. Specific criteria for development expenditures eligible for capitalization

Expenditures in the development stage of an internal research and development project shall be recognized as intangible assets when all the following conditions are met:

(1) It is technically feasible to complete the intangible assets so that it can be used or sold;

(2) It is intended to finish and use or sell the intangible assets;

(3) The usefulness of methods for 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;

(4) With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible assets, and it is able to use or sell the intangible assets; and

(5) Expenditures attributable to the development stage of the intangible assets can be measured reliably.

Expenditures in the development stage that do not meet the above conditions are included in the current profit or loss when incurred. Where the research expenditures and development expenditures are indistinguishable, the Company shall include R&D expenditures incurred in the current profit or loss. The cost of the intangible assets formed by internal development activities only includes the total expenditure incurred from the time when the capitalization conditions are met to the time when the intangible assets reach the intended use. For the same intangible assets, the expenditure that has been expensed into the profit or loss before the capitalization conditions are met during the development process will not be adjusted.

(XXIII) Impairment of long-term assets

On each balance sheet date, the Company checks whether there are signs of possible impairment of long-term equity investment, investment properties measured by the cost method, fixed assets, construction in progress, intangible assets determined by service life, etc. If there are indications of impairment in the long-term assets, the recoverable amount shall be estimated on an individual asset basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs.

The recoverable amount of the asset is the higher of its fair value less disposal cost or the present value of the estimated future cash flows of the asset.

According to the measurement results of the recoverable amount, if the recoverable amount of the long-term assets is lower than its book value, the book value of the long-term assets shall be written down to the recoverable amount, and the amount written down shall be recognized as the asset impairment loss and included in the current profit or loss, and the corresponding provision for asset impairment shall be made at the same time. Once the asset impairment loss is recognized, it shall not be reversed in subsequent accounting periods.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in future periods so that the adjusted asset book value (net of estimated net residual value) is systematically amortized over the remaining useful life.

Impairment tests for goodwill and intangible assets with indefinite service life arising from business combination shall be conducted every year regardless of whether there are indications of impairment.

In the impairment test of goodwill, the book value of goodwill is allocated to the asset group or asset group portfolio that are expected to benefit from the synergistic effect of business combination. When an impairment test is performed on the relevant asset group or asset group portfolio containing goodwill, if there is any indication that the asset group or asset group portfolio related to the goodwill may be impaired, the asset group or asset group portfolio excluding goodwill shall be tested for impairment first, and the recoverable amount shall be calculated, and compared with the relevant book value to recognize the corresponding impairment loss. Then an impairment test shall be performed on the asset group or portfolio of asset groups containing goodwill and compare the book value of these relevant asset group or portfolio of asset groups (including the book value of the goodwill apportioned) with their recoverable amount. If the recoverable amount of the relevant asset group or portfolio of asset groups is lower than their book value, the impairment loss of goodwill will be recognized.

(XXIV) Long-term deferred expenses

1. Amortization method

Long-term deferred expenses refer to various expenses that have been incurred by the Company but should be borne by the current period and subsequent periods with an amortization period of more than one year. Long-term deferred expenses are amortized by stages over the benefit period using the straight-line method.

2. Amortization period

Type	Amortization period	Remark
Decoration expenses of leased fixed assets	5 years	Amortization over estimated useful life

(XXV) Contract liabilities

The Company recognizes the obligation to transfer goods to customers for consideration received or receivable from customers as contract liabilities.

(XXVI) Employee compensation

Employee compensation refers to multiform remuneration or compensation offered of the Company in order to get services provided by its employees or sever the labor relation. Employee compensation includes short-term compensation, post-employment benefit, dismissal benefits and other long-term employee benefits.

1. Short-term compensation

Short-term compensation refers to the employee compensation, except post-employment benefit and dismissal benefits, which are required to be paid in full by the Company within 12 months after the end of the annual reporting period in which the employee provides the relevant services. The Company recognizes the short-term compensation payable as a liability during the accounting period in which the employee provides the service, and includes it in the relevant asset costs and expense according to the beneficiary of the service provided by the employee.

2. Post-employment benefits

Post-employment benefit refers to various forms of remuneration and benefits, excluding short-term compensation and dismissal benefits, provided by the Company to obtain services provided by employees after their retirement or termination of labor relations with the Company. The post-employment benefits of the Company are all defined contribution plans.

The defined contribution plans of post-employment benefit mainly include the basic social endowment insurance and unemployment insurance organized and implemented by local labor and social security institutions. During the accounting period when employees provide services for the Company, the amount payable calculated according to the defined contribution plans is recognized as a liability and included in the current profit or loss or related asset costs.

After the Company makes regular payments in accordance with the standards stipulated by the state, it will have no other payment obligations.

3. Dismissal benefits

Dismissal benefits refer to the compensation given by the Company to employees for terminating the labor relationship with employees before the expiration of the labor contract, or for encouraging employees to voluntarily accept the reduction. The liability arising from the compensation for terminating the labor relationship with employees is recognized and included in the current profit or loss on the earlier of the date when the Company cannot unilaterally withdraw the plan for terminating the labor relationship or the date when the proposal for reduction is confirmed and the costs related to the restructuring involving the payment of dismissal benefits are recognized.

4. Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits other than short-term compensation, post-employment benefit and dismissal benefits.

(XXVII) Estimated liabilities

1. Criteria for recognition of estimated liabilities

When the obligation related to such contingencies as product quality guarantee and onerous contract is a current obligation undertaken by the Company, and the performance of such obligation is likely to result in outflow of economic benefits, and the amount of such obligation can be measured reliably, it is recognized as estimated liabilities.

2. Measurement method of estimated liabilities

The Company's estimated liabilities shall be initially measured at the best estimate of the expenses required to fulfill the relevant present obligations. When determining the best estimate, the Company shall comprehensively consider the risks, uncertainties and time value of money and other factors related to contingencies. For those that have a significant impact on the time value of money, the best estimate shall be determined by discounting the relevant future cash outflows. The best estimate will be handled according to the following circumstances:

(1) If there is a continuous range (or interval) of the required expenditures, and the probabilities of occurrence of all the outcomes within this range are the same, the best estimate shall be determined according to the middle value of this range, that is, the average of the upper and lower limit amounts.

(2) If there is no continuous range (or interval) of the required expenditures, or the probabilities of occurrence of all the outcomes within this range are not the same although there is a continuous range, if the contingency involves a single item, the best estimate shall be determined according to the most likely amount; if the contingency involves more than one item, the best estimate shall be calculated and determined based on various possible outcomes and relevant probabilities.

If all or part of the expenses required by the Company to pay off the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received, and the recognized compensation amount shall not exceed the book value of the estimated liabilities.

(XXVIII) Lease liabilities

The Company makes the initial measurement of the lease liabilities according to the present value of the lease payments that have not been paid on the lease commencement date. In calculating the present value of the lease payments, the Company uses the interest rate implicit in lease as the discount rate; if the interest rate implicit in lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate. The lease payments include:

(1) Fixed payments and substantial fixed payments after deducting the amount related to lease incentive;

(2) Variable lease payments depending on an index or ratio;

(3) The lease payments include the exercise price of the purchase option if the Company reasonably determines that the option will be exercised;

(4) In the case where the lease term reflects that the Company will exercise the lease termination option, the lease payments include the amount to be paid for exercising the lease termination option;

(5) The amount expected to be paid according to the guaranteed residual value provided by the Company.

The Company calculates the interest expenses of lease liabilities in each lease term based on a fixed discount rate, and includes such expenses into the current profit or loss or the related asset costs.

Variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or related asset costs when actually incurred.

(XXIX) Share-based payments

1. Types of share-based payments

The Company's share-based payments consist of equity-settled share-based payments and cash-settled share-based payments.

2. Determination method of fair value of equity instruments

For equity instruments such as options granted in an active market, the fair value thereof shall be determined according to the quoted price in the active market. For equity instruments such as options granted without an active market, the fair value is determined using an option pricing model, which takes into account the following factors: (1) the exercise price of the option; (2) the validity period of the option; (3) the current price of the underlying shares; (4) the expected volatility of share price; (5) the estimated dividends on shares; (6) the risk-free interest rate over the valid term of the option.

When determining the fair value of equity instruments on the grant date, the impact of market conditions and non-exercisable conditions in the exercisable conditions specified in the share-based payments agreement is considered. If there is a non-exercisable condition in the share-based payments, as long as the employee or other parties meet all the non-market conditions among the exercisable conditions (such as service period, etc.), the cost corresponding to the service shall be recognized.

3. Basis for determining the best estimate of exercisable equity instruments

On each balance sheet date during the waiting period, the Company makes the best estimate based on the latest subsequent information such as the change in the number of employees with exercisable rights, and corrects the expected number of equity instruments with exercisable rights. On the vesting date, the final estimated number of exercisable equity instrument is consistent with the actual number of exercisable equity instrument.

4. Accounting treatment

(1) Accounting treatment of equity-settled and cash-settled share-based payments.

Equity-settled share-based payments are measured at fair value of the equity instruments granted to employees. If the right is exercisable immediately after the grant, the relevant costs or expenses shall be included in the grant date according to the fair value of the equity instruments, and the capital reserve shall be increased accordingly. If the right can only be exercised after completing the service within the waiting period or meeting the specified performance conditions, on each balance sheet day within the waiting period, based on the best estimate of the number of exercisable equity instruments, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserve according to the fair value on the grant date of equity instruments. No adjustment shall be made to the recognized relevant costs or expenses and the total owners' equity after the vesting date.

Cash-settled share-based payments are measured at fair value of liabilities calculated and determined on the basis of shares or other equity instruments assumed by the Company. If the right is exercisable immediately after the grant, the fair value of the Company's assumption of the liability shall be included in the relevant costs or expenses on the grant date, and the liability shall be increased accordingly. For cash-settled share-based payments that are exercisable only after completing the service within the waiting period or meeting the specified performance conditions, on each balance sheet date during the waiting period, based on the best estimate of the exercisable rights, the services obtained in the current period shall be included in costs or expenses and corresponding liabilities according to the fair value amount of the liabilities assumed by the Company. The Group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profit or loss.

(2) Accounting treatment of modification of share-based payments terms and conditions

For unfavorable modifications, the Company shall be deemed as if the change had never occurred and shall continue to account for the services obtained.

For favorable modifications, the Company shall handle them as follows: if the modification increases the fair value of the equity instruments granted, the Company shall recognize the increase in services obtained according to the increase in the fair value of equity instruments. If the modification occurs during the waiting period, when recognizing the fair value of services obtained between the modification date and the modified vesting date, it shall include both the amount of services determined on the basis of the fair value of the original equity instruments granted on the grant date within the remaining original waiting period and the increase in the fair value of equity instruments. If the modification occurs after the vesting date, the increase in the fair value of equity instruments shall be recognized immediately. If the share-based payments agreement requires employees to complete a longer period of service before they can obtain the modified equity instruments, the enterprise shall recognize the increase in the fair value of equity instruments throughout the waiting period.

If the modification increases the number of equity instruments granted, the enterprise will recognize the fair value of the increased equity instruments as an increase in services obtained accordingly. If the modification occurs during the waiting period, when recognizing the fair value of services obtained between the modification date and the vesting date of the increased equity instruments, it shall include both the amount of services determined on the basis of the fair value of the original equity instruments grant date within the remaining original waiting period and the increase in the fair value of equity instruments.

If the enterprise modifies vesting conditions in a way that is beneficial to employees, such as shortening the waiting period, changing or canceling performance conditions (rather than market conditions), the enterprise shall consider the modified vesting conditions when handling vesting conditions.

(3) Accounting treatment for the cancellation of share-based payments

If the granted equity instruments are canceled during the waiting period, the Company shall treat the cancellation of the granted equity instruments as accelerated exercise, and immediately include the amount to be recognized during the remaining waiting period into the current profit or loss, and recognize the capital reserve at the same time. If the employee or other party can choose to meet the non-exercisable condition but fails to meet the condition within the waiting period, the Company will treat it as the cancellation of the granted equity instruments.

(XXX) Preferred shares, perpetual bonds and other financial instruments

In accordance with the provisions of the financial instrument standards, the Company classifies the financial instruments or its components as financial liabilities or equity instruments at initial recognition based on the contract terms of the financial instruments such as preferred shares and perpetual bonds issued and the economic substance reflected therein, rather than in a legal form, in combination with the definitions of financial liabilities and equity instruments:

1. If one of the following conditions is met, the issued financial instruments shall be classified as financial liabilities

(1) Contractual obligations to deliver cash or other financial assets to other parties;

(2) Under potentially adverse conditions, exchange financial assets or financial liabilities with other parties;

(3) A non-derivative instrument contract that must be settled or can be settled with the enterprise's self-owned equity instruments in the future, and the enterprise will deliver a variable number of self-owned equity instruments under the contract;

(4) Derivative instrument contracts that must be settled or can be settled with the enterprise's self-owned equity instruments in the future, except for derivative instrument contracts in which a fixed number of self-owned equity instruments are exchanged for a fixed amount of cash or other financial assets.

2. If the following conditions are met at the same time, the issued financial instruments shall be classified as equity instruments

(1) The financial instruments do not include the contractual obligations to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions;

(2) If the financial instruments shall or can be settled with the enterprise's self-owned equity instruments in the future, and the financial instruments are non-derivative instruments, it does not include the contractual obligation to deliver a variable quantity of self-owned equity instruments for settlement; in the case of derivative instruments, the enterprise can only settle the financial instruments by exchanging a fixed amount of self-owned equity instruments for a fixed amount of cash or other financial assets.

3. Accounting treatment

For financial instruments classified as equity instruments, their interest expenses or dividend distributions are treated as the Company's profit distribution, their repurchase and cancellation are treated as changes in equity, and transaction costs such as handling fees and commissions are deducted from equity.

For financial instruments classified as financial liabilities, their interest expenses or dividend distribution shall be treated in accordance with borrowing costs in principle, and their gains or losses arising from repurchase or redemption shall be included in the current profit or loss, and the transaction costs such as handling fee and commission shall be included in the initial measurement amount of the issued instruments.

(XXXI) Revenue

The revenue of the Company mainly comes from the sales of auto parts and components.

1. General principles of revenue recognition

The Company has fulfilled its performance obligation in the contract, that is, when the customer obtains the relevant goods or service control, the revenue is recognized according to the transaction prices allocated to the performance obligation.

Performance obligation refers to the commitment in the contract that the Company transfers clearly distinguishable goods or services to the customer.

Obtaining the right of control of the relevant goods means being able to dominate the use of the goods and obtain almost all economic benefits therefrom.

The Company evaluates the contract on the contract commencement date, identifies each single performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period or at a certain time point. If one of the following conditions is met, it is the performance obligation to be fulfilled within a certain period of time, and the Company recognizes the revenue within a certain period of time according to the performance progress: (1) the customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the Company performs the contract; (2) The customer can control the goods under construction during the performance of the Company; (3) The goods produced during the performance of the Company have irreplaceable uses, and the Company has the right to collect payment for the accumulated part that has been completed so far during the entire contract period. Otherwise, the Company will recognize revenue at the time when the customer obtains the right of control of the relevant goods or services.

For performance obligation performed within a certain period of time, the Company shall determine the appropriate performance progress by input method according to the nature of goods and labor service. The input method is to determine the performance progress based on the company's input to fulfill the performance obligation. When the performance progress cannot be reasonably determined and the costs incurred are expected to be compensated, the Company will recognize revenue based on the amount of costs incurred until the progress of contract performance can be reasonably determined.

2. Specific methods of revenue recognition

The Company mainly sells auto parts and components such as sensors and accessories, fuel system accessories and auto interior trim parts. According to the terms of the sales contract signed between the Company and the customer, the realization of sales revenue is recognized when the customer obtains the relevant goods or service control, as follows:

Export business:

(1) Export sales under FOB trade mode

The time of revenue recognition is the point when the customs clearance and export procedures are completed and the goods are delivered to and loaded by the carrier at the named port of shipment. The special export invoice is issued and the revenue is recognized according to the contract, the export declaration form and other information.

(2) Export sales under FCA trade mode

If the customer designates or entrusts the freight forwarder to pick up the goods directly at the factory, the customer designates or entrusts the freight forwarder to complete the customs declaration and export procedures as the revenue recognition time. According to the export declaration form and other materials, the special export invoice shall be issued and the revenue shall be confirmed.

(3) Export under the DDP trade model where the customer is an enterprise in a Chinese free trade zone or bonded area

For the export business of enterprises in Chinese free trade zone or bonded area that deliver goods the customer's destination, the time of revenue recognition is the time after the customer has accepted the goods and the customs declaration formalities has been completed. The revenue is confirmed according to the delivery note, export declaration form and special export invoice confirmed by the customer.

Domestic sales business:

(1) If the customer is responsible for picking up the product, after the product is shipped and the customer or the freight driver entrusted by the customer accepts the product, the Company will issue a sales invoice and confirm the sales revenue based on the signed and approved delivery note;

(2) If the Company is responsible for delivering the product, after the product is delivered to the customer and the customer has inspected and accepted it, the Company will issue a sales invoice and confirm the sales revenue based on the warehouse entry note, receipt or invoicing notice confirmed by the customer;

(3) If the full-month settlement method is adopted, that is, according to the supply contract signed between the Company and the customer, the customer usually issues an invoice notice to the Company at the beginning of the next month for the products used and accepted in the current month, and makes payment and settlement within the credit period given by the Company. The Company issues an invoice and confirms the revenue in the month when it receives the customer's invoicing notice according to the quantity and amount confirmed by the parties.

3. Principles for revenue treatment of specific transactions

(1) Contracts with condition of sales return

For sales with sales return clauses, when the customer obtains the right of control of relevant goods, the Company recognizes the revenue according to the amount of consideration expected to receive due to the transfer of goods to the customer (i.e., excluding the amount expected to be refunded due to the sales return) and recognizes liabilities according to the amount expected to be returned due to the sales return; at the same time, the balance of the book value of the expected goods to be returned at the time of transfer after deducting the expected cost of recovering the goods (including the impairment of the value of the returned goods) is recognized as an asset. The net amount after deducting the cost of the above asset will be transferred as cost based on the book value of the transferred goods.

(2) Contracts with quality assurance clauses

For sales with quality assurance clauses, if the quality assurance provides a separate service in addition to assuring the customer that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Company shall conduct accounting treatment on the quality assurance responsibilities in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies.

(3) Sales contract with customer's additional purchase option

Customer's additional purchase option includes sales incentives, other discounts for future goods or services, etc. For additional purchase options that provide significant rights to customers, the Company treats it as an individual performance obligation, and recognizes the corresponding revenue when the customer exercises the purchase option in the future to obtain the relevant goods or service control, or when the option expires. If the separate selling price of the customer's additional purchase option cannot be directly observed, the Company shall estimate it by comprehensively considering all relevant information such as the difference between the discounts that the customer can obtain by exercising and not exercising the option and the possibility that the customer will exercise the option.

(4) Principal responsible person and agent

The Company determines whether it is the principal responsible person or the agent when engaging in the transaction based on whether it has the right of control of the goods or services before transferring them to the customers. If the Company is able to control the goods or services before transferring the goods or services to the customers, the Company is the principal responsible person, and the revenue is recognized according to the total consideration received or receivable. otherwise, the Company, as the agent, shall recognize revenue according to the amount of commission or service fee expected to receive, which shall be determined according to the net amount of the total consideration received or receivable after deducting the price payable to other relevant parties.

(5) After-sales repurchase

(1) Contracts with repurchase obligations due to forward arrangements with customers: in this case, the customer does not obtain the right of control of the relevant goods at the time of sale, so it is accounted for as a lease transaction or financing transaction. Where the repurchase price is lower than the original selling price, it shall be deemed as lease transactions and carried out in accordance with the relevant provisions of the Accounting Standards for Business Enterprises on lease; if the repurchase price is not lower than the original selling price, it shall be regarded as a financing transaction, and the financial liabilities shall be recognized when the customer's payment is received, and the difference between the payment and the repurchase price shall be recognized as interest expenses, etc. during the repurchase period. If the Company fails to exercise the repurchase right upon expiration, the financial liabilities shall be derecognized when the repurchase right expires, and the revenue shall be recognized at the same time.

(2) Contracts for repurchase obligations arising at the request of customers: if the customer is assessed to have significant economic motives, the after-sales repurchase shall be regarded as lease transactions or financing transactions and subject to accounting treatment in accordance with the (1) provisions of this article; otherwise, it will be treated as sales transactions with conditions of sales return.

(XXXII) Contract expenses

1. Contract performance cost

The Company recognizes the cost incurred for the performance of the contract as an asset at contract performance cost if it does not fall within the scope of other Accounting Standards for Business Enterprises except the revenue standard and meets the following conditions at the same time:

(1) The cost is directly related to a contract currently or expected to be obtained, including direct labor, direct materials, manufacturing overhead (or similar expenses), costs expressly borne by the customer, and other costs incurred solely as a result of the contract;

(2) The cost increases the resources that the enterprise will use to fulfill its performance obligation in the future;

(3) The cost is expected to be recovered.

The assets shall be presented in the inventories or other non-current assets according to whether the amortization period exceeds one normal operating cycle at the time of initial recognition.

2. Cost of contract acquisition

The incremental costs incurred by the Company to obtain the contract are expected to be recovered and are recognized as an asset as the contract acquisition cost. Incremental costs are costs that would not have been incurred by the Company if the contract had not been obtained, such as sales commissions. If the amortization period is less than one year, it shall be included in the current profit or loss when it occurs.

3. Amortization of contract expense

The above-mentioned assets related to contract expenses are amortized at the time of fulfilling the performance obligations or in accordance with the progress of fulfilling the performance obligations, and included in the current profit or loss on the same basis as the revenue recognition of the goods or services related to the assets.

4. Amortization of contract expense

For the above-mentioned assets related to contract expense, if the book value is higher than the difference between the remaining consideration expected to be obtained by the Company due to the transfer of the goods related to the asset and the estimated cost to be incurred for the transfer of the relevant goods, the excess shall be made provision for impairment and recognized as asset impairment loss.

After the provision for impairment is made, if the factors of impairment in the previous period change, making the above two differences higher than the book value of the asset, the provision for asset impairment that has been made shall be reversed and included in the current profit or loss, but the book value of the asset after the reversal shall not exceed the book value of the asset on the reversal date under the assumption that no provision for impairment is made.

(XXXIII) Government subsidies

1. Types of government subsidies

Government subsidies are monetary and non-monetary assets obtained by the Company from the government for free. Government grants are classified into asset-related government grants and income-related government grants.

Government subsidies are divided into government subsidies related to assets and government subsidies related to income according to the subsidy objects stipulated in relevant government documents.

2. Confirmation of government subsidies

If there is evidence at the end of the period that the Company can meet the relevant conditions stipulated in the financial support policy and is expected to receive the financial support funds, the government subsidies shall be recognized according to the amount receivable. In addition, all government subsidies shall be recognized when actually received.

Government grants considered as monetary assets are measured at the amount received or receivable. Government grants considered as non-monetary assets are measured at fair value; if the fair value cannot be obtained reliably, it shall be measured at a nominal amount (RMB1). Government grants measured at the nominal amount are directly included in current profit or loss.

3. Accounting treatment

The Company determines whether a certain type of government subsidies business should be accounted for using the gross amount method or the net amount method based on the substance of the economic business. Under normal circumstances, the Company only selects one method for the same or similar government subsidies business, and consistently applies the method to the business.

Item	**Accounting content**
Category of policy subsidies accounted for by the total method	All government subsidies except loan discounts
Categories of policy subsidies accounted for by net method	Loan interest discount

Government subsidies related to assets shall be used to offset the book value of the relevant assets or recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they shall be included in the profit or loss by stages in a reasonable and systematic way within the service life of the assets constructed or purchased.

Government subsidies related to income used to compensate the relevant expenses or losses of the enterprise in future periods are recognized as deferred income, and are included in the current profit or loss or offset the relevant costs in the period when the relevant expenses or losses are recognized; if they are used to compensate the relevant expenses or losses incurred by the enterprise, it shall be directly included in the current profit or loss or used to offset the relevant costs when obtained.

Government subsidies related to the daily activities of the enterprise are included in other income or used to offset related costs; government subsidies unrelated to the daily activities of the enterprise are included in non-operating revenue and expenditure.

Relevant borrowing costs offset by government subsidies related to policy-based preferential loan interest discounts; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the actually received loan amount shall be taken as the book-entry value of the loan, and the relevant borrowing costs shall be calculated according to the loan principal and the policy-based preferential interest rate.

When the recognized government subsidies need to be returned, the book value of the assets shall be adjusted if the book value of the relevant assets is offset at the time of initial recognition; if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess shall be included in the current profit or loss; if there is no relevant deferred income, it shall be directly included in the current profit or loss.

(XXXIV) Deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities are calculated and recognized based on the difference (temporary differences) between the tax basis of assets and liabilities and their book value. On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are expected to be settled.

1. Basis for recognizing deferred tax assets

The Company recognizes deferred tax assets arising from deductible temporary differences to the extent of the taxable income that is likely to be obtained to offset the deductible temporary differences, the deductible loss that can be carried forward to future years and the tax deduction. However, deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) the transaction is not a business combination; (2) the transaction does not affect the accounting profit, taxable income or deductible loss when it occurs.

For deductible temporary differences related to investment in associates, the corresponding deferred tax assets shall be recognized if the following conditions are met at the same time: the temporary difference is likely to be reversed in the foreseeable future, and the taxable income used to offset the deductible temporary differences is likely to be obtained in the future.

2. Basis for recognizing deferred tax liabilities

The Company recognizes the taxable temporary differences payable but not paid in the current period and previous periods as deferred tax liabilities. But excluding:

(1) Temporary differences arising from the initial recognition of goodwill;

(2) Temporary differences arising from transactions or events not formed through business combinations, and which neither affect accounting profits nor taxable income (or deductible losses) at the time of occurrence;

(3) For taxable temporary differences related to investments in subsidiaries and associates, the timing of the reversal of the temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

3. Deferred tax assets and deferred tax liabilities are presented at the net amount after offset when the following conditions are met at the same time

(1) The Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis;

(2) Where deferred tax assets and deferred tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or on different taxpayers, but, in each important future period in connection with the reversal of deferred tax assets and liabilities, the involved taxpayer intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred tax assets and deferred tax liabilities shall be presented based on the net amount after offset.

(XXXV) Lease

On the contract commencement date, the Company evaluates whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if one party transfers the right to control the use of one or more identified assets for a certain period in exchange for consideration.

1. Split-off of lease contract

When the contract contains multiple individual leases at the same time, the Company will split the contract and conduct accounting treatment for each individual lease separately.

When the contract contains both leased and non-leased parts, the Company will split the leased and non-leased parts, the leased part will be accounted for in accordance with the lease standards, and the non-leased part shall be accounted for in accordance with other applicable Accounting Standards for Business Enterprises.

2. Consolidation of lease contract

Two or more contracts involving leases entered into by the Company with the same counterparty or its related party at the same time or at a similar time shall be consolidated into one contract for accounting treatment when one of the following conditions is met:

(1) The two or more contracts are entered into for the overall commercial purpose and constitute a package of transactions, the overall commercial purpose of which cannot be understood without taking them as a whole.

(2) The amount of consideration for one of the two or more contracts is dependent on the pricing or performance of the other contracts.

(3) The right to use the assets transferred by the two or more contracts together constitute a separate lease.

3. Accounting treatment of the Company as a lessee

On the lease commencement date, except for short-term lease and leases of low value assets that apply simplified treatment, the Company recognizes right-of-use assets and lease liabilities for leases.

(1) Short-term lease and leases of low value assets

A short-term lease is a lease that does not include a purchase option and the lease term does not exceed 12 months. Leases of low value assets refer to leases with a lower value when the individual leased asset is a brand new asset.

The Company does not recognize right-of-use assets and lease liabilities for short-term lease and leases of low value assets, and the relevant lease payments are included in the relevant asset costs or current profit or loss in each period of the lease term according to the straight-line method or other systematic and reasonable methods.

(2) See Note III.(XXI) Right-of-use assets and Note III.(XXVIII) Lease liabilities for the accounting policies of right-of-use assets and lease liabilities.

4. Accounting treatment of the Company as a lessor

(1) Classification of leases

The Company divides leases into financing lease and operating lease on the lease commencement date. A financing lease is a lease that transfers substantially all the risks and rewards associated with the ownership of leased assets, and its ownership may or may not be transferred. Operating lease refers to the leases other than financing lease.

A lease is usually classified as a financing lease by the Company if one or more of the following circumstances exist:

(1) At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee.

(2) The lessee has the option to purchase the leased asset, and the purchase price is low enough compared with the fair value of the leased asset at the expected exercise of the option, so that it can be reasonably determined that the lessee will exercise the option on the lease commencement date.

(3) Although the ownership of the asset is not transferred, the lease term accounts for the majority of the service life of the leased asset.

(4) On the lease commencement date, the present value of the lease receipt is almost equal to the fair value of the leased asset.

(5) The leased asset is of a special nature and can only be used by the lessee without major modification.

A lease may also be classified as a financing lease by the Company if one or more of the following signs exist:

(1) If the lessee cancels the lease, the lessee shall bear the loss caused to the lessor by the cancellation of the lease.

(2) Gains or losses arising from the fair value fluctuation of the residual value of the asset are attributable to the lessee.

(3) The lessee has the ability to continue the lease for the next period at a rent far below the market level.

(2) Accounting treatment of financing lease

On the lease commencement date, the Company recognizes the financing lease receivable for the financing lease and derecognizes the financing lease asset.

At the initial measurement of the financing lease receivable, the sum of the unguaranteed residual value and the present value of the lease receipt not received on the lease commencement date discounted at the interest rate implicit in lease is taken as the book-entry value of the financing lease receivable. Lease receipt includes:

(1) Fixed payments and substantial fixed payments after deducting the amount related to lease incentive;

(2) Variable lease payments depending on an index or ratio;

(3) Under the circumstance that it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;

(4) The lease term reflects that the lessee will exercise the lease termination option, and the lease receipt includes the amount to be paid by the lessee for exercising the lease termination option;

(5) Guaranteed residual value provided by the lessee, a party related to the lessee, and an independent third party with the financial ability to perform the guarantee obligation to the lessor.

The Company calculates and recognizes the interest income for each period within the lease term according to the fixed interest rate implicit in lease, and the variable lease payments obtained that are not included in the measurement of net lease investment are included in the current profit or loss when actually incurred.

(3) Accounting treatment of operating leases

The Company recognizes the lease receipt of operating leases as rental revenue by using the straight-line method or other systematic and reasonable methods in each period of the lease term; the initial direct costs related to operating leases are amortized on the same basis as the recognition of rental revenue during the lease term and included in the current profit or loss by stages; the variable lease payments related to operating leases that are not included in the lease receipt shall be included in the current profit or loss when they actually occur.

5. Sale and leaseback

If the transfer of assets in the sale-leaseback transaction is a sale, the Company measures the right-of-use assets arising from the sale-leaseback at the portion of the original asset book value related to the right-of-use obtained from the leaseback, and recognizes the relevant gains or losses only in respect of the right transferred to the lessor. If the fair value of the sales consideration differs from the fair value of the asset, or the lessor does not charge rent at the market price, the Company accounts for the amount of the sales consideration below the market price as prepaid rent and the amount above the market price as additional financing provided by the lessor to the lessee. at the same time, the relevant sales gains or losses are adjusted according to the fair value.

If the transfer of assets in the sale-leaseback transaction is not a sale, the Company continues to recognize the transferred assets and recognizes a financial liability equal to the revenue transferred.

If the transfer of assets in the sale-leaseback transaction is a sale, the Company shall conduct corresponding accounting treatment according to the asset purchase, and conduct accounting treatment for the asset lease according to the lease standards. If the fair value of the sales consideration differs from the fair value of the asset or the Company does not charge rent at the market price, the Company accounts for the amount of the sales consideration below the market price as rent received in advance and the amount above the market price as additional financing provided by the Company to the lessee. At the same time, the rental revenue shall be adjusted according to the market price.

If the transfer of assets in the sale-leaseback transaction is not a sale, the Company recognizes a financial asset equal to the revenue of the transfer.

(XXXVI) Discontinued operations

The Company recognizes the components that have been disposed of or classified as held for sale and can be distinguished separately in the operation and preparation of financial statements as the components of discontinued operations meeting one of the following conditions:

1. The component represents an independent major business or a major operating area.

2. The component is a part of the proposed disposal plan for an independent major business or a major business area.

3. The component is a subsidiary acquired solely for the purpose of resale.

Operating profit or loss such as impairment loss and reversal amount of discontinued operations and disposal profit or loss are presented in the income statement as gain or loss from discontinued operations.

The Company lists the assets in the non-current assets held for sale or the disposal group held for sale separately from other assets in the balance sheet, and the liabilities in the disposal group held for sale separately from other liabilities. The assets in the non-current assets held for sale or the disposal group held for sale shall not be offset against the liabilities in the disposal group held for sale, and shall be presented as current asset and current liabilities respectively. The Company presents the profit or loss from continued operations and the profit or loss from discontinued operations in the income statement separately. For the discontinued operations presented in the current period, the Company will re-present the information originally presented as profit or loss from continued operation in the current financial statements as profit or loss from discontinued operations in the comparable accounting period. If the discontinued operations no longer meets the conditions for classification as held for sale, the Company will re-present the information originally presented as profit or loss from discontinued operations as profit or loss from continued operation in the comparable accounting period in the current financial statements.

(XXXVII) Share repurchase

The consideration and transaction costs paid in the repurchase of the Company's shares reduce the shareholders' equity, and no gains or losses is recognized when the Company's shares are repurchased, transferred or cancelled.

When the Company transfers treasury shares, the difference between the actual amount received and the book value of the treasury shares shall be included in the capital reserve. If the capital reserve is insufficient to offset, the surplus reserve and undistributed profits shall be offset. When the Company cancels the treasury shares, the share capital shall be reduced according to the par value of the shares and the number of shares canceled, and the capital reserve shall be offset according to the difference between the book balance of the canceled treasury shares and the par value. If the capital reserve is insufficient to offset, the surplus reserve and undistributed profits shall be offset.

(XXXVIII) Work safety expenses

The work safety expenses withdrawn by the Company in accordance with national regulations shall be included in the cost of related products or the current profit or loss, and shall be recorded in the item of "special reserve" at the same time. When withdrawn work safety expenses are used, if they are expense expenditures, such costs shall be directly deducted from special reserves. If fixed assets are formed, the expenditure incurred shall be collected through the "construction in progress" account, and shall be recognized as fixed assets when the safety project is completed and reaches the intended usable state; meanwhile, special reserves shall be offset according to the costs of fixed assets and the accumulated depreciation of the same amount shall be recognized. Depreciation of such fixed assets will not be made in subsequent periods.

(XXXIX) Changes in significant accounting policies and accounting estimates

1. Changes in accounting policies

(1) Impact of the implementation of the Interpretation No. 16 of the Accounting Standards for Business Enterprises on the Company

On December 13, 2022, the Ministry of Finance issued the Interpretation No. 16 of the Accounting Standards for Business Enterprises (CK [2022] No. 31, hereinafter referred to as "Interpretation No. 16"), stipulating that "the accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction that is not applicable to the initial recognition exemption" shall come into force as of January 1, 2023, and enterprises are allowed to implement it in advance from the year of issuance. The Company shall implement the accounting treatment related to the matter in the current year.

For lease liabilities and right-of-use assets recognized as a result of the application of Interpretation No. 16 for a single transaction at the beginning of the earliest period presented in the financial statements in which Interpretation No. 16 is first applied (i.e. January 1, 2022), as well as the estimated liabilities and the corresponding related assets related to the recognized abandonment obligations, if deductible temporary differences and taxable temporary differences are generated, the Company will adjust the retained earnings and other related financial statement items at the beginning of the earliest period presented in the financial statements (i.e. January 1, 2022) based on the cumulative impact in accordance with the Interpretation No. 16 and Accounting Standards for Business Enterprises No. 18 – Income Taxes.

According to the relevant provisions of Interpretation No. 16, the cumulative impact adjustment of the Company to the relevant items of the financial statements is as follows:

(1) Impact on the consolidated balance sheet

Item	January 1, 2022	Cumulative affected amount	January 1, 2022
Deferred tax assets	10,517,001.04	1,001,471.32	11,518,472.36
Deferred tax liabilities	10,244,202.85	1,043,824.93	11,288,027.78
Surplus reserve	70,715,791.52	-1,292.75	70,714,498.77
Undistributed profits	637,562,598.56	-26,642.05	637,535,956.51
Minority interests	109,321,499.39	-14,418.81	109,307,080.58

(2) Impact on the parent company's balance sheet

Item	January 1, 2022	Cumulative affected amount	January 1, 2022
Deferred tax assets	4,925,665.99	971,410.31	5,897,076.30
Deferred tax liabilities	9,011,827.00	984,337.78	9,996,164.78
Surplus reserve	70,715,791.52	-1,292.75	70,714,498.77
Undistributed profits	505,074,554.76	-11,634.72	505,062,920.04

For lease liabilities and right-of-use assets recognized for a single transaction to which Interpretation No. 16 applies that occurred between the beginning of the earliest period presented in financial statements in which this interpretation is first applied (i.e., January 1, 2022) and the date of application of the interpretation (January 1, 2023), as well as the estimated liabilities and the corresponding related assets related to the recognized abandonment obligations, the Company shall handle them in accordance with the provisions of Interpretation No. 16.

According to the provisions of Interpretation No. 16, the Company's adjustments to the relevant items of the balance sheet are as follows:

(1) Impact on the consolidated balance sheet

Balance Sheet		**December 31, 2022**	
Item	**Before change**	**Accumulated affected amount**	**After change**
Deferred tax assets	12,622,675.87	2,113,457.99	14,736,133.86
Deferred tax liabilities	16,345,361.07	2,024,103.71	18,369,464.78
Surplus reserve	98,597,764.28	9,783.65	98,607,547.93
Undistributed profits	857,167,495.22	83,726.95	857,251,222.17
Minority interests	114,489,761.09	-4,156.32	114,485,604.77
Deferred tax assets	7,987,934.44	1,583,495.25	9,571,429.69
Deferred tax liabilities	12,767,013.24	1,485,658.68	14,252,671.92
Surplus reserve	98,597,764.28	9,783.65	98,607,547.93
Undistributed profits	726,329,975.53	88,052.92	726,418,028.45

According to the provisions of Interpretation No. 16, the Company adjusts the relevant items of the profit or loss statement as follows:

(1) Impact on the consolidated income statement

Profit or loss statement		**Year 2022**	
Item	**Before change**	**Accumulated affected amount**	**After change**
Income tax expenses	57,778,445.05	-131,707.89	57,646,737.16

(2) Impact on the parent company's income statement

Profit or loss statement		**Year 2022**	
Item	**Before change**	**Accumulated affected amount**	**After change**
Income tax expenses	37,343,465.68	-110,764.04	37,232,701.64

2. Changes in accounting estimates

There was no change in the main accounting estimate during the reporting period.

IV. TAXATION

(I) Main tax type and tax rate of the Company

Tax type	**Tax basis/revenue type**	**Tax rate**	**Remark**
Value added tax (VAT)	Domestic sales; provision of processing, repair and maintenance labor service; and imported goods, etc.; provision of tangible movable property leasing services	13%	
	Provision of construction and real estate leasing services, sales of real estate and transfer of land use right	9%	
	Other taxable sales services	6%	
	Sales of export goods other than oil and gas; cross-border taxable sales and services	0%	

Tax type	Tax basis/revenue type	Tax rate	Remark
Urban maintenance and construction tax	Turnover tax payable	7%, 5%	
Enterprise income tax	Taxable income	15%, etc.	
Property taxes	70% of the original value of the property (or rental revenue) is used as the tax base	1.2% (12%)	

Description of income tax rate of different taxpayers:

Name of taxpayer	Income tax rate
The Company	15%
Olive (Europe) Holdings S.à r.l.	17%
Yantai Olive Pipeline Co., Ltd.	25%
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	15%
Wuhan Olive Auto Parts Co., Ltd.	25%
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	25%
Jiangsu Ruishi Sensing Technology Co., Ltd.	25%
Kunshan Olive Auto Parts Co., Ltd.	Small and micro enterprises
Changzhou Olive Auto Parts and Components Co., Ltd.	25%
Jiangsu Weihong Semiconductor New Materials Co., Ltd.	25%

(II) Preferential tax policies and basis

1. On December 13, 2023, Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration recognized the Company as a high-tech enterprise and issued a high-tech enterprise certificate (certificate No.: GR202332009194), which entitled the Company to a preferential corporate income tax rate of 15% (2023-2025).

2. On December 13, 2023, Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration the Company's subsidiary, Jiangsu Schuerholz Precision Metal Forming Co., Ltd., as a high-tech enterprise and issued a high-tech enterprise certificate (certificate No.: GR202332019132), which entitled the Company to a preferential corporate income tax rate of 15% (2023-2025).

3. According to the Announcement on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Business Entities (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 6), the Announcement on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Entities (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 12) and the Announcement on the Implementation of Preferential Corporate Income Tax Policies for Small Low-profit Enterprises (Announcement of the State Taxation Administration [2023] No. 6), the taxable income of small low-profit enterprises shall be calculated at 25% and the corporate income tax shall be paid at a tax rate of 20%, which shall continue to be implemented until December 31, 2027. In the current period, Kunshan Olive Auto Parts Co., Ltd., a subsidiary of the Company, meets the confirmation criteria of small low-profit enterprises and enjoys the preferential corporate income tax policy for small low-profit enterprises, with an actual tax rate of 5% this year.

V. NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, the following amounts are expressed in RMB, the end of the period refers to December 31, 2023, and the beginning of the period refers to January 1, 2023).

Note 1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	135,379.66	391,580.16
Bank deposit	93,616,929.08	168,206,883.89
Other monetary funds	1,414,894.81	3,803,152.00
Total	95,167,203.55	172,401,616.05
Including: total amount deposited abroad	3,927,552.84	3,948,410.20

The details of the restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Bank acceptance bill margin	1,405,119.98	3,797,551.48
Total	1,405,119.98	3,797,551.48

As of December 31, 2023, the Company issued a bank acceptance bill of RMB4,261,791.38 with bank deposit of RMB1,405,119.98 as pledge.

Note 2. Financial assets held for trading

Item	Ending balance	Beginning balance
Subtotal of financial assets classified as measured at fair value through current profit or loss	481,459,780.42	946,420,161.11
Others	481,459,780.42	946,420,161.11
Subtotal of financial assets designated to be measured at fair value through current profit or loss	–	–
Total	481,459,780.42	946,420,161.11

Note 3. Notes receivable

1. Notes receivable presented by category

Item	Ending balance	Beginning balance
Bank acceptance bills	39,731,402.99	108,677,013.54
Total	39,731,402.99	108,677,013.54

As of December 31, 2023, the Company believes that there is no significant credit risk in the notes receivable held and no significant losses will be incurred due to the default of banks or other drawers.

2. Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills		14,321,350.31
Total		14,321,350.31

Note 4. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Ending balance	Beginning balance
Within 1 year	495,578,866.75	303,294,487.76
1-2 years	1,169,324.55	825,512.11
2-3 years	59,370.04	48,980.93
3-4 years	31,500.00	22,600.00
4-5 years		3,349.80
Over 5 years	8,909.85	19,066.05
Sub-total	496,847,971.19	304,213,996.65
Less: provision for bad debts	26,196,027.72	16,143,537.84
Total	470,651,943.47	288,070,458.81

2. Disclosure under the methods of provision for bad debts by category

	Ending balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Provision for bad debts accrued on an individual basis	1,330,124.28	0.27	1,330,124.28	100.00	470,651,943.47
Provision for bad debts made by portfolio	495,517,846.91	99.73	24,865,903.44	5.02	
Including: aging portfolio	495,517,846.91	99.73	24,865,903.44	5.02	470,651,943.47
Total	496,847,971.19	100.00	26,196,027.72		470,651,943.47

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Provision for bad debts accrued on an individual basis	899,394.84	0.30	899,394.84	100.00	
Provision for bad debts made by portfolio	303,314,601.81	99.70	15,244,143.00	5.03	288,070,458.81
Including: aging portfolio	303,314,601.81	99.70	15,244,143.00	5.03	288,070,458.81
Total	304,213,996.65	100.00	16,143,537.84		288,070,458.81

Provision for bad debts accrued on an individual basis

Entity name	Ending balance Book balance	Provision for bad debts	Provision ratio (%)	Reasons for provision
Shanghai Eastone Automotive Technology Co., Ltd.	580,800.00	580,800.00	100.00	Refusal to execute repayment after mediation
Beijing Borgward Automotive Co., Ltd.	318,594.84	318,594.84	100.00	The Company declares bankruptcy
Jiangxi Yiwei Automotive Manufacturing Co., Ltd.	243,684.50	243,684.50	100.00	The person who has ceased production or has defaulted on execution
Jiangxi Zhiqu Electric Technology Co., Ltd.	187,044.94	187,044.94	100.00	The person who has ceased production or has defaulted on execution
Total	1,330,124.28	1,330,124.28		

Provision for bad debts made by portfolio

(1) Aging portfolio

Aging	Ending balance Book balance	Provision for bad debts	Provision ratio (%)
Within 1 year	494,248,742.47	24,712,437.12	5.00
1-2 years	1,169,324.55	116,932.46	10.00
2-3 years	59,370.04	11,874.01	20.00
3-4 years	31,500.00	15,750.00	50.00
Over 5 years	8,909.85	8,909.85	100.00
Total	495,517,846.91	24,865,903.44	

3. Provision for bad debts accrued, recovered or reversed in the current period

Type	Beginning balance	Change in the current period Provision	Recovery or reversal	Write-off	Other changes	Ending balance
Provision for bad debts accrued on an individual basis	899,394.84	377,131.46			-53,597.98	1,330,124.28
Provision for bad debts made by portfolio	15,244,143.00	11,945,011.78	2,256,147.36	13,506.00	53,597.98	24,865,903.44
Including: aging portfolio	15,244,143.00	11,945,011.78	2,256,147.36	13,506.00	53,597.98	24,865,903.44
Total	16,143,537.84	12,322,143.24	2,256,147.36	13,506.00		26,196,027.72

4. Actual accounts receivable written off in the current period

Item	Amount for write-off
Actual accounts receivable written off	13,506.00

5. Top five accounts receivable and contract assets in terms of ending balance collected by the debtor

Entity name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balances of accounts receivable and contract assets	Proportion to total amount of ending balance of accounts receivable and contract assets (%)	Balance of provision for bad debts of accounts receivable and contract assets
No. 1	67,545,509.59		67,545,509.59	13.59	3,377,275.48
No. 2	37,963,335.41		37,963,335.41	7.64	1,898,166.77
No. 3	27,977,362.62		27,977,362.62	5.63	1,398,868.13
No. 4	26,721,859.91		26,721,859.91	5.38	1,336,093.00
No. 5	19,577,181.96		19,577,181.96	3.94	978,859.10
Total	179,785,249.49		179,785,249.49	36.18	8,989,262.48

Note 5. Receivables financing

1. Receivables financing presented by category

Item	Ending balance	Beginning balance
Bank acceptance bills	51,507,094.34	
Total	51,507,094.34	

As of December 31, 2023, the Company believes that there is no significant credit risk in the receivables financing held and no significant loss will be incurred due to default.

2. Increase/decrease and change in fair value of receivables financing in the current period

Item	Beginning balance		Increase/decrease in the current period		Ending balance	
	Cost	Changes in fair value	Cost	Changes in fair value	Cost	Changes in fair value
Bank acceptance bills			51,507,094.34		51,507,094.34	
Total			51,507,094.34		51,507,094.34	

3. Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	108,584,590.36	
Total	108,584,590.36	

Note 6. Advances to suppliers

1. ***Presentation of advances to suppliers by aging***

Aging	Ending balance Amount	Ending balance Ratio (%)	Beginning balance Amount	Beginning balance Ratio (%)
Within 1 year	23,090,430.31	91.35	45,259,450.31	91.30
1-2 years	1,986,141.46	7.86	4,056,805.49	8.18
2-3 years	190,783.61	0.75	248,074.41	0.50
Over 3 years	10,338.60	0.04	8,338.60	0.02
Total	25,277,693.98	100.00	49,572,668.81	100.00

2. ***Top five prepayments in terms of ending balance by payee***

Entity name	Ending balance	Proportion in total advances to suppliers (%)	Time of advance payment	Reasons for no settlement
No. 1	2,835,760.87	11.22	Year 2023	Advance payment for materials according to the contract
No. 2	2,454,405.79	9.71	Year 2023	Advance payment for materials according to the contract
No. 3	1,698,800.14	6.72	Year 2023	Advance payment for materials according to the contract
No. 4	1,419,813.08	5.62	Year 2023	Advance payment for materials according to the contract
No. 5	1,407,387.05	5.57	Year 2023	Prepayment for molds according to the contract
Total	9,816,166.93	38.84		

Note 7. Other receivables

Item	Ending balance	Beginning balance
Interest receivable	1,102,984.18	784,198.13
Dividends receivable	6,138,854.44	9,474,740.02
Other receivables	2,743,964.03	1,035,918.69
Total	9,985,802.65	11,294,856.84

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

(I) Interest receivable

1. Classification of interest receivable

Item	**Ending balance**	**Beginning balance**
Schürholz GmbH & Co. KG Stanztechnik	1,102,984.18	784,198.13
Total	1,102,984.18	784,198.13

2. Other notes to interest receivable

(1) As of December 31, 2023, the Company deemed that it was unnecessary to make provision for expected credit impairment on the interest receivable.

(2) According to the Articles of Association of the subsidiary's participated company Schürholz GmbH & Co. KG Stanztechnik, a loan account shall be maintained for each shareholder in addition to the fixed capital, in which withdrawals, interest, dividends and other credits and debits are recorded. The interest of this loan account is calculated at a rate 2.00% higher than the benchmark interest rate.

(II) Dividends receivable

1. Dividends receivable

Investee	**Ending balance**	**Beginning balance**
Schürholz GmbH & Co. KG Stanztechnik	6,138,854.44	9,474,740.02
Total	6,138,854.44	9,474,740.02

2. Significant dividends receivable with aging more than 1 year

Investee	**Ending balance**	**Aging**	**Reason for non-recovery**	**Whether there is impairment and the reasons**
Schürholz GmbH & Co. KG Stanztechnik	6,138,854.44	Over 1 year	Agreement	No
Total	6,138,854.44			

3. Other notes to the dividends receivable

As of December 31, 2023, the Company believes that there is no need to make provision for expected credit impairment on the dividends receivable.

(III) Other receivables

1. Disclosure by aging

Aging	**Ending balance**	**Beginning balance**
Within 1 year	2,224,755.58	369,019.70
1-2 years	153,131.98	641,500.00
2-3 years	609,534.30	10,000.00
3-4 years	10,000.00	
4-5 years		200,000.00
Over 5 years	644,910.28	449,294.28
Sub-total	3,642,332.14	1,669,813.98
Less: provision for bad debts	898,368.11	633,895.29
Total	2,743,964.03	1,035,918.69

2. *Classification by nature of payment*

Nature of payment	Ending balance	Beginning balance
Security deposit	1,919,800.00	945,000.00
Petty cash	58,925.84	64,681.54
Advances in lieu	315,501.90	220,873.82
Fund borrowing	1,000,000.00	
Others	348,104.40	439,258.62
Sub-total	3,642,332.14	1,669,813.98
Less: provision for bad debts	898,368.11	633,895.29
Total	2,743,964.03	1,035,918.69

3. *Classified disclosure by provision of bad debts*

	Ending balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts accrued on an individual basis	277,910.28	7.63	277,910.28	100.00	
Provision for bad debts made by portfolio	3,364,421.86	92.37	620,457.83	18.44	2,743,964.03
Including: Portfolio I	3,364,421.86	92.37	620,457.83	18.44	2,743,964.03
Total	3,642,332.14	100.00	898,368.11		2,743,964.03

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts accrued on an individual basis	277,910.28	16.64	277,910.28	100.00	
Provision for bad debts made by portfolio	1,391,903.70	83.36	355,985.01	25.58	1,035,918.69
Including: Portfolio I	1,391,903.70	83.36	355,985.01	25.58	1,035,918.69
Total	1,669,813.98	100.00	633,895.29		1,035,918.69

Provision for bad debts accrued on an individual basis

	Ending balance			
Entity name	Book balance	Provision for bad debts	Provision ratio (%)	Reasons for provision
Shanghai Dizai'en Mould & Plastic Technology Co., Ltd.	277,910.28	277,910.28	100.00	The debtor is listed as a untrustworthy person
Total	277,910.28	277,910.28		

Provision for bad debts made by portfolio

(1) Portfolio I

Aging	Book balance	Ending balance Provision for bad debts	Provision ratio (%)
Within 1 year	2,224,755.58	111,237.78	5.00
1-2 years	153,131.98	15,313.19	10.00
2-3 years	609,534.30	121,906.86	20.00
3-4 years	10,000.00	5,000.00	50.00
Over 5 years	367,000.00	367,000.00	100.00
Total	3,364,421.86	620,457.83	

The provision for bad debts made according to the general model of expected credit losses:

Provision for bad debts	First stage Expected credit loss for the next 12 months	Second stage Expected credit loss during the entire duration (without credit impairment)	Third stage Expected credit loss during the entire duration (with credit impairment)	Total
Beginning balance		355,985.01	277,910.28	633,895.29
Beginning balance in the current period				
– Transfer to the second stage				
– Transfer to the third stage				
– Reversal to the second stage				
– Reversal to the first stage				
Provision in the current period		277,416.61		277,416.61
Reversal in the current period		-12,943.79		-12,943.79
Charge-off in the current period				
Write-off in the current period				
Other changes				
Ending balance		620,457.83	277,910.28	898,368.11

4. *Provision for bad debts accrued, recovered or reversed in the current period*

Type	Beginning balance	Change in the current period Provision	Recovery or reversal	Resale or write-off	Other changes	Ending balance
Provision for bad debts accrued on an individual basis	277,910.28					277,910.28
Provision for bad debts made by portfolio	355,985.01	277,416.61	12,943.79			620,457.83
Including: Portfolio I	355,985.01	277,416.61	12,943.79			620,457.83
Total	633,895.29	277,416.61	12,943.79			898,368.11

5. *No other receivables actually written off in the current period*

6. *Top five other receivables in terms of ending balance collected by the debtor*

Entity name	Nature of payment	Ending balance	Aging	Proportion in the ending balance of other receivables *(%)*	Ending balance of provision for bad debts
No. 1	Security deposit	1,246,600.00	1-3 years	34.23	152,330.00
No. 2	Fund borrowing	1,000,000.00	Within 1 year	27.45	50,000.00
No. 3	Security deposit	300,000.00	Within 1 year	8.24	15,000.00
No. 4	Advances to suppliers transfer in	277,910.28	Over 5 years	7.63	277,910.28
No. 5	Security deposit	200,000.00	Over 5 years	5.49	200,000.00
Total		3,024,510.28		83.04	695,240.28

Note 8. Inventories

1. Classification of inventories

	Ending balance			Beginning balance		
Item	Book balance	Provision for depreciation/ provision for impairment of contract performance costs	Book value	Book balance	Provision for depreciation/ provision for impairment of contract performance costs	Book value
Raw materials	61,678,886.62	2,329,655.97	59,349,230.65	60,223,537.50	1,795,848.50	58,427,689.00
Products in progress	1,209,612.05		1,209,612.05	638,824.56		638,824.56
Stock commodities	59,277,353.25	2,149,833.79	57,127,519.46	72,258,095.41	2,051,288.31	70,206,807.10
Dispatched goods	11,370,938.53		11,370,938.53	8,558,259.79		8,558,259.79
Entrusted processing materials	20,690,966.32		20,690,966.32	23,096,457.34		23,096,457.34
Circular materials	1,015,797.54		1,015,797.54	1,188,525.32		1,188,525.32
Self-manufactured semi-finished products	9,439,574.01	651,211.12	8,788,362.89	6,706,839.94	552,144.70	6,154,695.24
Total	164,683,128.32	5,130,700.88	159,552,427.44	172,670,539.86	4,399,281.51	168,271,258.35

Provision for inventory depreciation and provision for impairment of contract performance costs

		Increase in the current period		Decrease in the current period			
Item	Beginning balance	Provision	Others	Reversal	Write-off	Others	Ending balance
Raw materials	1,795,848.50	1,401,206.83			867,399.36		2,329,655.97
Stock commodities	2,051,288.31	1,603,326.13			1,504,780.65		2,149,833.79
Self-manufactured semi-finished products	552,144.70	301,883.85			202,817.43		651,211.12
Total	4,399,281.51	3,306,416.81			2,574,997.44		5,130,700.88

Notes to provision for inventory depreciation and provision for impairment of contract performance costs:

The specific basis for the Company to determine the net realizable value is to withdraw or adjust the provision for inventory depreciation according to the lower of the cost of the inventory or the net realizable value according to the inventory backlog, age, trial use, market price, etc. The write-off of provision for inventory depreciation is due to the write-off of the Company's disposal and sale.

Note 9. Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	6,250,178.22	3,193,268.64
Investment cost of certificate of deposit	662,914,397.85	278,386,602.38
Interest receivable of certificate of deposit	15,912,466.03	8,916,164.98
Deferred expenses	543,590.56	121,541.24
Prepaid tax		14,353.11
Total	685,620,632.66	290,631,930.35

Note 10. Long-term equity investments

	Ending balance			Beginning balance		
Item	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Investments in associates and joint ventures	243,976,264.99		243,976,264.99	58,791,769.83		58,791,769.83
Total	243,976,264.99		243,976,264.99	58,791,769.83		58,791,769.83

1. Investment in associates

		Provisions for impairment	Increase/decrease in the current period			
Investee	Beginning balance	Beginning balance	Additional investment	Reduced investment	Investment income recognized under the equity method	Adjustment of other comprehensive income
Schürholz GmbH	90,781.25				5,787.48	
Schürholz GmbH & Co. KG Stanztechnik	46,405,413.24				1,222,507.94	
Schürholz Polska Sp z o.o.	12,295,575.34				3,673,998.01	1,143,613.57
Bonaire Automotive Electrical Systems Co., Ltd.			161,250,000.00	-6,000,000.00	15,644,117.51	
Total	58,791,769.83		161,250,000.00	-6,000,000.00	20,546,410.94	1,143,613.57

Continued:

	Increase/decrease in the current period					Provisions for impairment
Investee	Changes in other equity	Cash dividends or profits declared and distributed	Provision for impairment	Others	Ending balance	Ending balance
Schürholz GmbH				5,501.14	102,069.87	
Schürholz GmbH & Co. KG Stanztechnik		3,973,391.01		2,875,938.84	54,477,251.03	
Schürholz Polska Sp z o.o.				827,595.68	17,940,782.60	
Bonaire Automotive Electrical Systems Co., Ltd.	562,043.98				171,456,161.49	
Total	562,043.98	3,973,391.01		3,709,035.66	243,976,264.99	

2. *Description of long-term equity investments*

(1) On February 17, 2023, the Company signed an Equity Transfer Contract with Hanon Systems (hereinafter referred to as "Hanon"). The Company acquired 37.5% equity of Bonaire held by Hanon at a transaction price of RMB161,250,000. The registration of industrial and commercial changes for the equity transfer was completed on March 20, 2023.

(2) In the current period, Bonaire, in which the Company holds a stake, distributed its profits for 2022, and the Company received the distributed profit of RMB6 million, which is deemed to be the recovery of the investment cost in Bonaire.

Note 11. Other non-current financial assets

Item	Ending balance	Beginning balance
Investments in equity instruments	39,644,275.49	49,320,000.00
Total	39,644,275.49	49,320,000.00

Note 12. Fixed assets

1. *Fixed assets*

Item		Houses and buildings	Machinery equipment	Means of transportation	Electronic equipment	Other equipment	Total
I.	Total original book value						
1.	Beginning balance	82,198,009.38	255,841,074.04	4,415,626.92	8,395,802.07	33,793,862.94	384,644,375.35
2.	Increase in the current period	60,991,547.39	35,469,754.49	925,441.95	5,147,469.65	21,880,823.50	124,415,036.98
	Purchase		26,069,306.91	925,441.95	5,101,363.46	21,880,823.50	53,976,935.82
	Transfer from construction in progress	60,991,547.39	9,400,447.58		46,106.19		70,438,101.16
3.	Decrease in the current period	–	1,552,604.76	168,610.11	170,940.18	56,935.90	1,949,090.95
	Disposal or scrapping		1,552,604.76	168,610.11	170,940.18	56,935.90	1,949,090.95
4.	Ending balance	143,189,556.77	289,758,223.77	5,172,458.76	13,372,331.54	55,617,750.54	507,110,321.38
II.	Accumulated depreciation						
1.	Beginning balance	31,227,130.89	113,868,031.36	2,890,055.04	5,775,066.10	20,588,422.82	174,348,706.21
2.	Increase in the current period	4,207,227.38	20,828,637.84	688,473.57	1,528,761.64	7,744,127.41	34,997,227.84
	Provision in the current period	4,207,227.38	20,828,637.84	688,473.57	1,528,761.64	7,744,127.41	34,997,227.84
3.	Decrease in the current period	–	1,364,672.86	160,179.60	162,393.17	54,089.11	1,741,334.74
	Disposal or scrapping		1,364,672.86	160,179.60	162,393.17	54,089.11	1,741,334.74
4.	Ending balance	35,434,358.27	133,331,996.34	3,418,349.01	7,141,434.57	28,278,461.12	207,604,599.31
III.	Provision for impairment						
1.	Beginning balance	–	–	–	–	–	–
2.	Increase in the current period	–	930,685.22	–	–	–	930,685.22
	Provision in the current period		930,685.22				930,685.22
3.	Decrease in the current period	–	–	–	–	–	–
4.	Ending balance	–	930,685.22	–	–	–	930,685.22
IV.	Book value						
1.	Book value as at the end of the period	107,755,198.50	155,495,542.21	1,754,109.75	6,230,896.97	27,339,289.42	298,575,036.85
2.	Book value as at the beginning of the period	50,970,878.49	141,973,042.68	1,525,571.88	2,620,735.97	13,205,440.12	210,295,669.14

2. Temporarily idle fixed assets at the end of the period

Item	Original book value	Accumulated depreciation	Provisions for impairment	Book value	Remark
Machinery equipment	1,176,106.19	186,615.66	930,685.22	58,805.31	
Total	1,176,106.19	186,615.66	930,685.22	58,805.31	

3. Fixed assets without certificate of title at the end of the period

Item	Book value	Reason for failure to properly handle the certificates of title
Houses and buildings	51,189,887.41	In process, completed in January 2024
Total	51,189,887.41	

Note 13. Construction in progress

1. Construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Nanyuan Factory Construction Project	60,249,983.74		60,249,983.74	38,038,758.01		38,038,758.01
Yantai Phase I Retaining Wall				1,943,315.32		1,943,315.32
Total	60,249,983.74		60,249,983.74	39,982,073.33		39,982,073.33

2. Changes in significant construction in progress

Project name	Beginning balance	Increase in the current period	Fixed assets transferred in the current period	Other decreases in the current period	Ending balance
Nanyuan Factory Construction Project	38,038,758.01	88,203,587.04	65,992,361.31		60,249,983.74
Yantai Phase I Retaining Wall	1,943,315.32	2,502,424.53	4,445,739.85		
Total	39,982,073.33	90,706,011.57	70,438,101.16		60,249,983.74

Continued:

Project name	Budget *(RMB'0,000)*	Proportion of project investment in budget *(%)*	Progress of construction *(%)*	Accumulated capitalization amount of interest	Including: Capitalized amount of interest in the current period	Interest capitalization rate for the current period *(%)*	Capital source
Nanyuan Factory Construction Project	35,000.00	36.07	40.00				Raised funds/ self-owned funds
Yantai Phase I Retaining Wall	450.00	100.00	100.00				Proprietary funds
Total							

Note 14. Right-of-use assets

Item		Houses and buildings	Total
I.	Total original book value:		
1.	Beginning amount	16,599,219.56	16,599,219.56
2.	Increase in the current period	13,558,417.08	13,558,417.08
	Lease	13,558,417.08	13,558,417.08
3.	Decrease in the current period	–	–
4.	Ending balance	30,157,636.64	30,157,636.64
II.	Accumulated depreciation		
1.	Beginning balance	4,514,600.57	4,514,600.57
2.	Increase in the current period	5,235,070.00	5,235,070.00
	Provision in the current period	5,235,070.00	5,235,070.00
3.	Decrease in the current period	–	–
4.	Ending balance	9,749,670.57	9,749,670.57
III.	Provision for impairment		
1.	Beginning balance	–	–
2.	Increase in the current period	–	–
3.	Decrease in the current period	–	–
4.	Ending balance	–	–
IV.	Book value		
1.	Book value as at the end of the period	20,407,966.07	20,407,966.07
2.	Book value as at the beginning of the period	12,084,618.99	12,084,618.99

Note 15. Intangible assets

Item		Land use rights	Software	Non-proprietary technology	Trademark right	Total
I.	Total original book value					
1.	Beginning balance	31,744,470.23	13,673,977.21	341,800.00	8,490.00	45,768,737.44
2.	Increase in the current period	–	3,674,762.93	–	–	3,674,762.93
	Outsourcing		3,674,762.93			3,674,762.93
3.	Decrease in the current period	–	–	–	–	–
4.	Ending balance	31,744,470.23	17,348,740.14	341,800.00	8,490.00	49,443,500.37
II.	Accumulated accumulation					
1.	Beginning balance	3,880,658.25	7,647,299.11	33,362.03	944.10	11,562,263.49
2.	Increase in the current period	845,267.76	2,170,318.04	33,362.03	944.10	3,049,891.93
	Provision in the current period	845,267.76	2,170,318.04	33,362.03	944.10	3,049,891.93
3.	Decrease in the current period	–	–	–	–	–
4.	Ending balance	4,725,926.01	9,817,617.15	66,724.06	1,888.20	14,612,155.42
III.	Provision for impairment					
1.	Beginning balance	–	–	–	–	–
2.	Increase in the current period	–	–	–	–	–
3.	Decrease in the current period	–	–	–	–	–
4.	Ending balance	–	–	–	–	–
IV.	Book value					
1.	Book value as at the end of the period	27,018,544.22	7,531,122.99	275,075.94	6,601.80	34,831,344.95
2.	Book value as at the beginning of the period	27,863,811.98	6,026,678.10	308,437.97	7,545.90	34,206,473.95

Note 16. Goodwill

1. Original book value of goodwill

		Increase in the current period		Decrease in the current period		
Name of the investees or matters forming goodwill	Beginning balance	Formation of business combination	Others	Disposal	Others	Ending balance
Kunshan Olive Auto Parts Co., Ltd.	60,265.73					60,265.73
Jiangsu Ruishi Sensing Technology Co., Ltd.	5,441,451.39					5,441,451.39
Total	5,501,717.12					5,501,717.12

2. Impairment provision of goodwill

Name of the investees or matters forming goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Disposal	Others	
Jiangsu Ruishi Sensing Technology Co., Ltd.	5,441,451.39					5,441,451.39
Total	5,441,451.39					5,441,451.39

3. Asset group or asset group portfolio the goodwill belongs to

The asset group or asset group portfolio for the Company's goodwill impairment test is consistent with the asset group or asset group portfolio determined on the acquisition date.

4. Goodwill impairment test process, parameters and recognition method of impairment loss on goodwill

(1) If the Company's goodwill is formed by business combination, the goodwill and all relevant assets of the investee forming the goodwill shall be recognized as an asset group. The Company will conduct impairment test for the asset group, and compare the recoverable amount with the book value of the asset group (including the Company's goodwill and minority shareholders' goodwill). The difference between the recoverable amount and the book value shall be recognized as impairment loss. The impairment loss shall be firstly offset against the book value of the goodwill, and the impairment loss on goodwill attributable to the Company shall be recognized in the consolidated statements, and the goodwill impairment shall be accrued.

(2) The Company fully accrued the impairment of the goodwill of the subsidiary Jiangsu Ruishi Sensing Technology Co., Ltd. in previous years.

(3) The Company calculates the estimated recoverable amount of the book asset group portfolio of the subsidiary Kunshan Olive Auto Parts Co., Ltd., and the calculation results show that there are no indications of impairment of goodwill.

Note 17. Long-term deferred expenses

Item	Beginning balance	Increase in the current period	Amortization the current period	Other decreases	Ending balance
Decoration cost of leased house	293,803.01		255,508.95		38,294.06
Total	293,803.01		255,508.95		38,294.06

Note 18. Deferred tax assets and deferred tax liabilities

1. Deferred tax assets without offset

	Ending balance		Beginning balance	
Item	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	33,155,781.93	5,044,466.85	21,176,714.64	3,639,749.34
Unrealized profits from internal transactions	558,164.08	104,334.02	307,450.04	76,862.51
Deductible loss	3,864,329.84	966,082.46	3,103,703.08	775,925.77
Government grants	49,256,120.99	8,130,640.19	39,217,137.68	6,932,109.78
Estimated liabilities	1,327,269.56	199,090.43		
Equity incentive	24,515,326.38	3,677,298.96	1,480,248.60	222,037.29
Changes in fair value	9,675,724.51	1,451,358.68	6,506,607.85	975,991.18
Lease liabilities	22,497,807.92	3,468,055.64	12,676,485.96	2,113,457.99
Total	144,850,525.21	23,041,327.23	84,468,347.85	14,736,133.86

2. Deferred tax liabilities without offset

	Ending balance		Beginning balance	
Item	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset evaluation increment from business combination not under common control	374,767.65	93,691.92	544,299.97	136,075.00
Changes in fair value	5,459,780.42	818,967.06	1,926,768.96	289,015.34
Accrued interest of certificate of deposit	18,779,655.76	2,816,948.36	8,916,164.98	1,429,428.92
Right-of-use assets	20,407,966.07	3,170,339.83	12,084,618.99	2,024,103.71
Unrealized profits from internal transactions	530,063.54	79,509.53		
One-time pre-tax deduction of fixed assets	121,014,266.87	18,152,140.03	88,039,579.01	14,490,841.81
Total	166,566,500.31	25,131,596.73	111,511,431.91	18,369,464.78

3. Details of deductible temporary differences of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible loss	11,171,236.25	11,882,120.06
Total	11,171,236.25	11,882,120.06

4. Deductible losses from unrecognized deferred tax assets will be expired in the following years

Year	Ending balance	Beginning balance	Remark
Year 2023		1,152,382.45	
Year 2024	2,691,035.45	2,729,581.27	
Year 2025	2,292,109.64	2,300,689.40	
Year 2026	4,399,236.21	4,399,236.21	
Year 2027	1,300,230.73	1,300,230.73	
Year 2028	488,624.22		
Total	11,171,236.25	11,882,120.06	

5. Other notes to deferred tax assets and deferred tax liabilities

It is uncertain whether the subsidiaries Olive (Europe) Holdings S.à r.l., Wuhan Olive Auto Parts Co., Ltd., Jiangsu Weihong Semiconductor New Materials Co., Ltd. and Jiangsu Ruishi Sensing Technology Co., Ltd. can obtain sufficient taxable income in the future, so the relevant deductible temporary differences and deductible losses have not been recognized as deferred tax assets.

Note 19. Other non-current assets

	Ending balance			Beginning balance		
Item	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Investment cost and interest receivable of certificate of deposit	108,356,748.57		108,356,748.57			
Advances for projects	3,615,771.70		3,615,771.70	62,400.00		62,400.00
Prepayments for equipment	20,340,382.57		20,340,382.57	14,749,859.17		14,749,859.17
Total	132,312,902.84		132,312,902.84	14,812,259.17		14,812,259.17

Note 20. Short-term borrowings

Item	Ending balance	Beginning balance
Guaranteed borrowings		119,000,000.00
Fiduciary loans	275,000,000.00	40,000,000.00
Discount of bank acceptance bill	8,424,820.46	
Total	283,424,820.46	159,000,000.00

Note 21. Notes payable

Category	Ending balance	Beginning balance
Bank acceptance bills	4,261,791.38	10,850,128.80
Total	4,261,791.38	10,850,128.80

Note 22. Accounts payable

Item	Ending balance	Beginning balance
Payables for materials	152,057,084.12	99,051,606.15
Payables for processing fees	31,100,257.41	28,814,004.29
Payables for project payment	12,513,508.02	886,400.00
Payables for equipment	10,900,133.44	6,033,001.18
Payables for molds	10,808,006.16	5,936,006.29
Other payables	11,639,742.28	8,461,937.82
Total	229,018,731.43	149,182,955.73

Significant accounts payable with aging of more than 1 year:

Entity name	Ending balance	Reason for non-repayment or carry-forward
Yantai Derun Construction Co., Ltd. Tenth Branch	2,382,483.59	Unsettled project funds
Total	2,382,483.59	

Note 23. Contract liabilities

1. Contract liabilities

Item	Ending balance	Beginning balance
Advances from product sales	2,417,550.26	1,196,265.44
Total	2,417,550.26	1,196,265.44

Note 24. Employee compensation payable

1. Presentation of employee compensation payable

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term compensation	9,835,156.78	114,082,039.09	109,133,205.13	14,783,990.74
Post-employment benefits – defined contribution plans		5,856,954.32	5,856,954.32	
Total	9,835,156.78	119,938,993.41	114,990,159.45	14,783,990.74

2. Presentation of short-term compensation

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Salaries, bonuses, allowances and subsidies	9,835,156.78	105,352,302.88	100,403,468.92	14,783,990.74
Employee welfare expenses		4,083,043.28	4,083,043.28	
Social insurance premiums		3,081,572.09	3,081,572.09	
Including: basic medical insurance premiums		2,743,168.87	2,743,168.87	
Work-related injury insurance premiums		327,135.32	327,135.32	
Maternity insurance premiums		11,267.90	11,267.90	
Housing provident fund		1,413,226.60	1,413,226.60	
Union funds and employee education funds		151,894.24	151,894.24	
Total	9,835,156.78	114,082,039.09	109,133,205.13	14,783,990.74

3. Presentation of defined contribution plans

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance		5,675,215.45	5,675,215.45	
Unemployment insurance premium		181,738.87	181,738.87	
Total		5,856,954.32	5,856,954.32	

Note 25. Taxes payable

Taxes and duties	Ending balance	Beginning balance
Value added tax (VAT)	1,140,566.02	5,057,694.15
Enterprise income tax	10,142,017.30	53,541,095.79
Individual income tax	635,650.40	5,484.79
Urban maintenance and construction tax	83,289.80	447,182.80
Property taxes	169,938.93	168,065.59
Land use taxes	148,452.18	148,452.18
Stamp tax	184,818.24	83,521.89
Education surcharge	37,590.39	196,108.64
Local education surtax	25,060.25	130,739.08
Environmental protection duty		103.05
Total	12,567,383.51	59,778,447.96

Note 26. Other payables

1. Other payables presented by nature of payment

Nature of payment	Ending balance	Beginning balance
Margin and security deposit	967,100.00	920,000.00
Borrowings from non-financial institutions	467,674.90	1,347,674.90
Payables for equity acquisition	2,250,000.00	2,250,000.00
Others	480,353.22	482,271.75
Total	4,165,128.12	4,999,946.65

2. Significant other payables with aging of more than 1 year or overdue

Entity name	Ending amount	Reason for non-repayment or carry-forward
Equity transfer price	2,250,000.00	Payment terms have not been met according to the contract
Total	2,250,000.00	

Note 27. Non-current liabilities maturing within one year

Item	Ending balance	Beginning balance
Long-term borrowings maturing within one year	57,200,000.00	
Lease liabilities maturing within one year	8,567,128.87	4,179,222.07
Total	65,767,128.87	4,179,222.07

Note 28. Other current liabilities

Item	Ending balance	Beginning balance
Output tax of value-added tax to be transferred	53,435.89	79,567.02
Bank acceptance bill endorsed but not expired	5,896,529.85	
Total	5,949,965.74	79,567.02

Note 29. Long-term borrowings

Category of borrowings	Ending balance	Beginning balance
Fiduciary loans	132,000,000.00	
Less: long-term borrowings maturing within one year	57,200,000.00	
Total	74,800,000.00	

Note 30. Lease liabilities

Nature of payment	Ending amount	Beginning balance
Within 1 year	9,155,310.60	3,838,046.40
1-2 years	5,482,497.05	3,988,425.12
2-3 years	3,842,767.89	2,463,881.28
3-4 years	2,444,100.00	1,583,460.00
4-5 years	2,268,750.00	944,100.00
Over 5 years	750,000.00	768,750.00
Total	23,943,425.54	13,586,662.80
Less: unrecognized financing expenses	1,445,617.62	910,176.84
Subtotal of present value of lease receipt	22,497,807.92	12,676,485.96
Less: Lease liabilities maturing within one year	8,567,128.87	4,179,222.07
Total	13,930,679.05	8,497,263.89

The interest expenses of lease liabilities recognized in the current period were RMB600,951.28.

Note 31. Estimated liabilities

Project name	Ending balance	Beginning balance	Formation causes
Loss-making contracts to be executed	1,327,269.56		
Total	1,327,269.56		

The Company intends to terminate the construction project of internet of vehicles system for commercial vehicles. The project has been signed, and the estimated loss of the contract to be executed is RMB1,327,269.56, which will be included in the estimated liabilities.

Note 32. Deferred income

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Formation causes
Government subsidies related to assets	39,217,137.68	16,328,312.00	6,289,328.69	49,256,120.99	
Total	39,217,137.68	16,328,312.00	6,289,328.69	49,256,120.99	

1. Deferred income related to government subsidies

For the Company's government subsidies, please refer to Note IX Government subsidies (II) liabilities item involving government subsidies.

Note 33. Share capital

		Increase (+) or decrease (-) in the current period					
Item	Beginning balance	New shares issued	Share donation	Conversion of provident fund into shares	Others	Sub-total	Ending balance
Total shares	791,528,907						791,528,907

Note 34. Capital reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (share premium)	143,117,910.36			143,117,910.36
Other capital reserves	1,480,248.61	23,597,121.75		25,077,370.36
Total	144,598,158.97	23,597,121.75		168,195,280.72

The capital reserve – other capital reserve increased by RMB23,597,121.75 in the current period, because:

(1) The Company accrued RMB23,035,077.77 for the restricted shares incentive in 2022, which was included in the capital reserve – other capital reserve of RMB23,035,077.77.

(2) The associate, Bonaire Automotive Electrical Systems Co., Ltd., made provision for special reserve in the current period, and the Company recognized capital reserve – other capital reserve of RMB562,043.98.

Note 35. Other comprehensive income

		Amount in the current period						
Item	Beginning balance	Amount before income tax in the current period	Less: the amount included in other comprehensive income in prior period and transferred to current profit or loss	Less: financial assets included in other comprehensive income in the previous period and transferred to the current period measured at amortized costs	Less: transfer of hedging reserve to related assets or liabilities	Less: income tax expenses	Attributable to parent company after tax	Ending balance
I. Other comprehensive income that cannot be reclassified into profit or loss	–	–	–	–	–	–	–	–
II. Other comprehensive income to be reclassified into profit or loss later	-1,733,966.77	2,738,735.03	–	–	–	–	2,738,735.03	1,004,768.26
1. Translation differences of foreign currency statements	-1,733,966.77	2,738,735.03					2,738,735.03	1,004,768.26
Total of other comprehensive income	-1,733,966.77	2,738,735.03					2,738,735.03	1,004,768.26

Note 36. Surplus reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	98,607,547.93	9,014,496.64		107,622,044.57
Total	98,607,547.93	9,014,496.64		107,622,044.57

Note 37. Undistributed profits

Item	Current period	Previous period
Undistributed profits at the end of the previous period before adjustment	857,167,495.22	637,562,598.56
Adjustment to total undistributed profits at the beginning of the period (+ for increase and - for decrease)	83,726.95	-26,642.05
Undistributed profits at the beginning of the period after adjustment	857,251,222.17	637,535,956.51
Plus: Net profit attributable to owners of the parent company in the current period	123,870,454.90	277,290,648.84
Less: Withdrawal of statutory surplus reserves	9,014,496.64	27,893,049.16
Common share dividends payable	94,983,468.84	29,682,334.02
Plus: surplus reserve to cover losses		
Undistributed profits at the end of the period	877,123,711.59	857,251,222.17

Adjustment of undistributed profits at the beginning of the period:

(1) Due to the change in accounting policies, the beginning undistributed profits of RMB83,726.95 was affected. For details, please refer to "Note III. (XXXIX) Changes in accounting policies".

Note 38. Operating revenue and operating costs

Item	Amount in the current period Revenue	Cost	Amount in the previous period Revenue	Cost
Primary business	1,064,081,491.94	796,989,867.28	910,947,834.25	684,010,293.33
Other business	57,385,919.13	57,313,503.59	50,368,388.45	48,248,849.21
Total	1,121,467,411.07	854,303,370.87	961,316,222.70	732,259,142.54

1. Revenue arising from contracts

Contract classification	Amount in the current period
I. Business or commodity type	1,121,467,411.07
Auto sensors and accessories	255,761,353.11
Accessories for automotive fuel systems	493,938,661.59
Auto interior trim parts	182,369,119.61
New energy parts	125,018,517.66
IOV products	2,637,353.94
Others	61,742,405.16
II. Classification by business area	1,121,467,411.07
Domestic sales	1,060,526,742.97
Export sales	60,940,668.10
III. Contract type	1,121,467,411.07
Product sales contract	1,120,934,999.00
Lease contract	532,412.07
IV. Classification by time of commodity transfer	1,121,467,411.07
Transfer at a point in time	1,121,467,411.07

Continued:

Contract classification	Amount in the previous period
I. Business or commodity type	961,316,222.70
Auto sensors and accessories	232,487,139.96
Accessories for automotive fuel systems	454,797,270.27
Auto interior trim parts	131,529,728.35
New energy parts	84,647,151.31
IOV products	2,125,477.00
Others	55,729,455.81
II. Classification by business area	961,316,222.70
Domestic sales	911,214,812.62
Export sales	50,101,410.08
III. Contract type	961,316,222.70
Product sales contract	960,802,011.35
Lease contract	514,211.35
IV. Classification by time of commodity transfer	961,316,222.70
Transfer at a point in time	961,316,222.70

Note 39. Taxes and surcharges

Item	Amount in the current period	Amount in the previous period
Urban maintenance and construction tax	2,130,762.83	2,376,911.65
Education surcharge	916,489.33	1,022,037.67
Property taxes	687,394.17	674,377.08
Land use taxes	593,808.72	593,808.72
Vehicle and vessel tax	1,860.00	2,520.00
Stamp tax	650,475.64	272,700.30
Environmental protection tax	103.05	48,405.20
Local education surtax	610,992.84	681,577.08
Total	5,591,886.58	5,672,337.70

Note 40. Selling expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	3,246,851.08	2,978,078.27
Warehousing costs	2,586,148.00	1,610,274.36
Advertising and publicity expenses	25,004.50	97,238.02
Traveling expenses	2,836.98	83,715.74
Office expenses		2,263.94
Others	184,776.37	356,977.59
Total	6,045,616.93	5,128,547.92

Note 41. G&A expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	40,817,814.93	39,341,431.46
Business entertainment expenses	3,572,929.61	4,546,530.45
Repair cost	786,313.52	275,750.89
Disabled employment security fund	135,982.39	53,434.47
Depreciation of fixed assets	4,155,794.90	2,663,068.48
Amortization of intangible assets	3,049,891.93	3,139,973.03
Insurance premiums	442,716.13	406,969.31
Office costs	1,378,770.17	1,291,181.73
Traveling expenses	2,182,521.56	1,427,089.87
Agency fees	1,329,883.17	1,061,698.96
Consultant expenses	2,815,613.43	2,468,805.10
Environmental protection fees	326,196.94	352,400.86
Automobile expenses	418,388.18	439,665.59
Labor protection expenses	159,901.78	230,482.91
Equity incentive expenses	23,035,077.77	1,480,248.61
Others	2,632,880.27	3,677,072.80
Total	87,240,676.68	62,855,804.52

Note 42. R&D expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	14,962,538.64	13,360,482.00
Intermediate test, mold, process equipment, etc.	5,669,950.35	5,117,687.48
Materials, fuel and power directly consumed	18,721,508.54	14,658,248.36
Depreciation cost	3,356,700.20	2,425,867.97
Expenses for certification and appraisal of R&D achievements	80,471.70	
Other expenses	2,810,579.63	6,040,703.41
Total	45,601,749.06	41,602,989.22

Note 43. Financial expenses

Item	Amount in the current period	Amount in the previous period
Interest expenses	9,906,319.30	7,022,746.55
Less: interest income	1,816,779.32	3,298,896.17
Profit or loss on exchange	-4,644,465.95	-2,723,398.67
Bank service fees and others	252,336.04	224,426.06
Total	3,697,410.07	1,224,877.77

Note 44. Other income

1. Details of other income

Source of other income	Amount in the current period	Amount in the previous period
Government grants	8,950,032.19	6,353,399.82
Additional deduction preference for value-added tax input tax	4,341,796.92	
Refund of service fee for withholding individual income tax	91,671.65	53,021.67
Total	13,383,500.76	6,406,421.49

2. Government subsidies included in other income

For the government subsidies of the Company, please refer to Note IX Government subsidies (III) Government subsidies included in the current profit or loss.

Note 45. Investment income

Sources of investment income	Amount in the current period	Amount in the previous period
Income from long-term equity investments accounted for by using the equity method	20,546,410.94	3,700,633.67
Investment income from disposal of long-term equity investments		224,855,189.97
Investment income during the holding period of trading financial assets		1,159,957.08
Investment income from disposal of financial assets held for trading	26,559,829.48	14,874,855.38
Investment income during the holding period of debt investments	1,947,148.06	9,993,073.31
Investment income from disposal of debt investments	18,320,131.79	8,218,841.33
Gains (losses) from derecognition of financial assets measured at amortized costs	-1,104,990.43	-615,088.84
Total	66,268,529.84	262,187,461.90

Note 46. Gains from changes in fair value

Sources of gains from changes in fair value	Amount in the current period	Amount in the previous period
Financial assets held for trading	10,039,619.31	-4,583,498.56
Other non-current financial assets	-9,675,724.51	
Total	363,894.80	-4,583,498.56

Note 47. Losses from credit impairment

Item	Amount in the current period	Amount in the previous period
Losses from bad debts of accounts receivable	-10,065,995.88	-911,910.31
Bad debt loss of other receivables	-264,472.82	-51,843.34
Total	-10,330,468.70	-963,753.65

Note 48. Asset impairment loss

Item	Amount in the current period	Amount in the previous period
Losses from inventory depreciation and impairment losses of contract performance cost	-3,306,416.81	-3,190,229.18
Impairment losses of fixed assets	-930,685.22	
Impairment loss on goodwill		-5,441,451.39
Total	-4,237,102.03	-8,631,680.57

In the above table, losses are listed with "-".

Note 49. Gains from disposal of assets

Item	Amount in the current period	Amount in the previous period
Gains or losses on disposal of fixed assets	110,401.11	60,861.74
Total	110,401.11	60,861.74

Note 50. Non-operating revenue

Item	Amount in the current period	Amount in the previous period	Amount included in the current non-recurring profit or loss
Revenue from compensation for violation	969,247.71	1,030,635.61	969,247.71
Gains from the damage and scrapping of non-current assets		4,989.43	
Others	15,636.96	39,684.10	15,636.96
Total	984,884.67	1,075,309.14	984,884.67

Note 51. Non-operating expenses

Item	Amount in the current period	Amount in the previous period	Amount included in the current non-recurring profit or loss
Donations made	200,000.00	102,000.00	200,000.00
Loss from the damage and scrapping of non-current assets	63,938.55		63,938.55
Expenditure on penalties and overdue fines	187,898.99	286,909.99	187,898.99
Claim payment	2,406,030.71	1,087,891.15	2,406,030.71
Onerous contract	1,472,391.24		1,472,391.24
Others		20,239.45	
Total	4,330,259.49	1,497,040.59	4,330,259.49

Note 52. Income tax expenses

Item	Amount in the current period	Amount in the previous period
Income tax expenses for the current period	18,305,117.60	54,521,148.01
Deferred tax expenses	-1,543,061.42	3,125,589.15
Total	16,762,056.18	57,646,737.16

1. Adjustment process of accounting profits and income tax expenses

Item	Amount in the current period
Total profits	181,200,081.84
Income tax expenses calculated at applicable tax rate	27,180,012.27
Influence of different tax rates applicable to subsidiaries	186,508.64
Effect of additional deductions	-6,938,638.39
Influence of adjustments to the income tax for the prior years	-460,369.95
Influence of non-taxable income	-3,180,007.55
Impact of non-deductible costs, expenses and losses	296,741.76
Influence of deductible losses on the use of preliminarily unrecognized deferred tax assets in previous periods	-15,848.70
Effect of deductible temporary differences or deductible losses from deferred tax assets unrecognized in the current period	88,059.15
Others	-394,401.05
Income tax expenses	16,762,056.18

Note 53. Notes to the statement of cash flows

1. Cash related to operating activities

Item	Amount in the current period	Amount in the previous period
Government grants	18,989,015.50	21,125,157.92
Interest income	1,551,655.75	2,167,912.27
Acceptance guarantee deposit	2,392,431.50	18,723,350.60
Others (including current accounts)	13,036,098.20	10,939,941.30
Total	35,969,200.95	52,956,362.09

(1) Cash paid for other operating activities

Item	Amount in the current period	Amount in the previous period
Selling expenses	2,797,372.83	1,600,598.51
G&A expenses and R&D expenses	23,460,630.97	26,032,351.54
Financial expenses	252,336.04	224,426.06
Non-operating expenses	387,898.99	388,909.99
Others (including current accounts)	20,759,716.05	13,575,336.25
Total	47,657,954.88	41,821,622.35

2. Cash related to investing activities

(1) Cash received from significant investing activities

Item	Amount in the current period	Amount in the previous period
Financial products	1,127,000,000.00	1,181,868,774.87
Total	1,127,000,000.00	1,181,868,774.87

(2) Cash paid for significant investing activities

Item	Amount in the current period	Amount in the previous period
Financial products	652,000,000.00	1,498,931,830.00
Investment in joint stock company, Bonaire Automotive Electrical Systems Co., Ltd.	155,250,000.00	
Wuxi Longway Technology Co., Ltd.		30,456,000.00
Total	807,250,000.00	1,529,387,830.00

(3) Cash received from other investing activities

Item	Amount in the current period	Amount in the previous period
Certificate of deposit and income	543,042,120.07	469,215,738.86
Total	543,042,120.07	469,215,738.86

(4) Cash paid for other investing activities

Item	Amount in the current period	Amount in the previous period
Certificate of Deposit	1,022,655,685.31	502,843,958.33
Fund borrowing	1,000,000.00	
Total	1,023,655,685.31	502,843,958.33

3. Cash related to financing activities

(1) Cash received from other financing activities

Item	Amount in the current period	Amount in the previous period
Discount of bank acceptance bill	37,391,900.49	
Total	37,391,900.49	

(2) Cash paid for other financing activities

Item	Amount in the current period	Amount in the previous period
Lease liabilities	4,577,705.00	3,176,737.02
Total	4,577,705.00	3,176,737.02

(3) Changes in various liabilities arising from financing activities

		Increase in the current period		Decrease in the current period		
Item	Beginning balance	Changes in cash	Non-cash changes	Changes in cash	Non-cash changes	Ending balance
Bank borrowings	159,000,000.00	614,391,900.49	190,099.24	329,000,000.00	29,157,179.27	415,424,820.46
Lease liabilities	12,676,485.96	–	14,159,368.36	4,338,046.40	–	22,497,807.92
Total	171,676,485.96	614,391,900.49	14,349,467.60	333,338,046.40	29,157,179.27	437,922,628.38

Note 54. Supplementary information to the statement of cash flows

1. Supplementary information to the statement of cash flows

Item	Current period	Prior period
1. Net profit adjusted to cash flows of operating activities		
Net profit	164,438,025.66	308,979,866.77
Plus: losses from credit impairment	10,330,468.70	963,753.65
Provision for asset impairment	4,237,102.03	8,631,680.57
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	34,997,227.84	31,335,942.03
Amortization of right-of-use assets	5,235,070.00	3,319,309.47
Amortization of intangible assets	3,049,891.93	3,139,973.03
Amortization of long-term deferred expenses	255,508.95	464,020.96
Losses from disposal of fixed assets, intangible assets and other long-term assets	-110,401.11	-60,861.74
Losses from write-off of fixed assets	63,938.55	-4,989.43
Losses from changes in fair value	-363,894.80	4,583,498.56
Financial expenses	9,499,023.89	6,666,280.24
Investment loss	-67,373,520.27	-262,802,550.74
Decrease in deferred tax assets	-8,305,193.37	-3,054,575.60
Increase in deferred tax liabilities	6,762,131.95	7,060,586.87
Decrease in inventories	5,412,414.10	-33,062,689.74
Decrease in operating receivables	-105,149,299.16	-29,499,863.07
Increase in operating payables	-52,135,531.43	60,715,250.52
Others	25,427,509.27	20,203,805.27

Item	Current period	Prior period
Net cash flows from operating activities	36,270,472.73	127,578,437.62
2. Investment and financing activities not involving cash receipts and payments		
Transfer of debts into capital		
Convertible corporate bonds maturing within one year		
Newly added right-of-use assets in the current period	13,558,417.08	8,478,509.53
3. Net increase in cash and cash equivalents		
Ending balance of cash	93,762,083.57	168,604,064.57
Less: beginning balance of cash	168,604,064.57	276,171,592.69
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase of cash and cash equivalents	-74,841,981.00	-107,567,528.12

2. Composition of cash and cash equivalents

Item	Ending amount	Beginning amount
I. Cash	93,762,083.57	168,604,064.57
Including: cash on hand	135,379.66	391,580.16
Unrestricted bank deposits	93,616,929.08	168,206,883.89
Other unrestricted monetary funds	9,774.83	5,600.52
II. Cash equivalents		
Including: Bond investment maturing within three months		
III. Ending balance of cash and cash equivalents	93,762,083.57	168,604,064.57
Including: cash and cash equivalents with restricted use right by parent company or subsidiaries of the Group		

Note 55. Assets with restricted ownership or use right

Item	Ending book balance	Beginning book value	Restricted condition
Monetary funds	1,405,119.98	3,797,551.48	Issued bank acceptance bill
Total	1,405,119.98	3,797,551.48	

As of December 31, 2023, the Company issued a bank acceptance bill of RMB4,261,791.38 with bank deposit of RMB1,405,119.98 as pledge.

Note 56. Foreign currency monetary item

1. Foreign currency monetary items

Item	Ending balance of foreign currency	Exchange rate of conversion	Ending balance of translated RMB
Monetary funds			20,017,181.18
USD	1,556,037.64	7.0827	11,020,949.22
EUR	1,144,675.28	7.8592	8,996,231.96
Accounts receivable			20,234,285.59
USD	1,613,166.88	7.0827	11,425,577.14
EUR	1,120,814.90	7.8592	8,808,708.45
Other receivables			7,241,838.62
EUR	921,447.30	7.8592	7,241,838.62

Item	Ending balance of foreign currency	Exchange rate of conversion	Ending balance of translated RMB
Accounts payable			1,460,361.59
USD	47,909.97	7.0827	339,331.97
EUR	142,639.15	7.8592	1,121,029.62

VI. R&D EXPENDITURES

(I) Presentation by nature of expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	14,962,538.64	13,360,482.00
Intermediate test, mold, process equipment, etc.	5,669,950.35	5,117,687.48
Materials, fuel and power directly consumed	18,721,508.54	14,658,248.36
Depreciation cost	3,356,700.20	2,425,867.97
Expenses for certification and appraisal of R&D achievements	80,471.70	
Other expenses	2,810,579.63	6,040,703.41
Total	45,601,749.06	41,602,989.22
Including: expensed R&D expenditures	45,601,749.06	41,602,989.22
Capitalized R&D expenditures		

VII. CHANGES IN CONSOLIDATION SCOPE

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

Due to the investment in new subsidiaries in the current period, the Company consolidate 2 wholly-owned subsidiaries, Changzhou Olive Auto Parts and Components Co., Ltd. and Jiangsu Weihong Semiconductor New Materials Co., Ltd.

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. Structure of the enterprise group

Name of subsidiaries	Registered capital	Main place of business	Registration place	Business nature	Shareholding ratio (%) Direct	Shareholding ratio (%) Indirect	Method of acquisition
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	RMB10 million	Yangzhou, Jiangsu	Yangzhou, Jiangsu	Manufacturing	51.00		Establishment by investment
Yantai Olive Pipeline Co., Ltd.	RMB80 million	Yantai, Shandong	Yantai, Shandong	Manufacturing	100.00		Establishment by investment
Wuhan Olive Auto Parts Co., Ltd.	RMB40 million	Wuhan, Hubei	Wuhan, Hubei	Manufacturing	100.00		Establishment by investment
Olive (Europe) Holdings S.à r.l.	EUR20,000	Luxembourg	Luxembourg	Investment	100.00		Establishment by investment
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	RMB5 million	Yangzhou, Jiangsu	Yangzhou, Jiangsu	Manufacturing	55.00		Establishment by investment

Name of subsidiaries	Registered capital	Main place of business	Registration place	Business nature	Shareholding ratio (%) Direct	Indirect	Method of acquisition
Kunshan Olive Auto Parts Co., Ltd.	RMB5 million	Kunshan, Jiangsu	Kunshan, Jiangsu	Manufacturing	51.00		Acquisition by business combination not under common control
Jiangsu Ruishi Sensing Technology Co., Ltd.	RMB10 million	Yangzhou, Jiangsu	Yangzhou, Jiangsu	R&D	100.00		Acquisition by business combination not under common control
Changzhou Olive Auto Parts and Components Co., Ltd.	RMB10 million	Changzhou, Jiangsu	Changzhou, Jiangsu	Manufacturing	100.00		Establishment by investment
Jiangsu Weihong Semiconductor New Materials Co., Ltd.	RMB35 million	Yangzhou, Jiangsu	Yangzhou, Jiangsu	Manufacturing	100.00		Establishment by investment

2. Major non-wholly-owned subsidiaries

Name of subsidiaries	Shareholding ratio of minority shareholders *(%)*	Profit or loss attributable to minority shareholders of the current period	Dividends declared to be distributed to minority shareholders in the current period	Ending balance of minority interests	Remark
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	49.00	39,711,818.00	15,238,401.06	136,582,921.03	

3. ***Main financial information of major non-wholly-owned subsidiaries***

Unit: RMB

	Ending balance						Amount in the current period			
Name of subsidiaries	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Operating revenue**	**Net profit**	**Total comprehensive income**	**Cash flows from operating activities**
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	192,994,747.06	138,272,320.69	331,267,067.75	45,440,547.89	7,085,864.69	52,526,412.58	325,970,514.46	81,044,526.54	81,044,526.54	77,302,933.31

Continued:

	Beginning balance						Amount in the previous period			
Name of subsidiaries	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Operating revenue**	**Net profit**	**Total comprehensive income**	**Cash flows from operating activities**
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	259,786,865.14	27,803,456.37	287,590,321.51	49,460,697.04	9,337,199.37	58,797,896.41	281,114,530.71	62,197,555.34	62,197,555.34	42,656,618.28

(II) Equity in joint ventures or associates

1. Significant joint ventures or associates

Name of joint ventures or associates	Main place of business	Registration place	Business nature	Shareholding ratio (%) Direct	Shareholding ratio (%) Indirect	Accounting treatment
Schürholz GmbH	Germany	Germany	Investment		32.00	Equity method
Schürholz GmbH & Co. KG Stanztechnik	Germany	Germany	Processing and manufacturing		32.00	Equity method
Schürholz Polska Sp z o.o.	Poland	Poland	Processing and manufacturing		32.01	Equity method
Bonaire Automotive Electrical Systems Co., Ltd.	Wuhu, Anhui	Wuhu, Anhui	Processing and manufacturing	37.50		Equity method

2. Main financial information of important associates

	Amount at the end of the period/ Amount incurred in the current period			
Item	**Schürholz GmbH**	**Schürholz GmbH & Co. KG Stanztechnik**	**Schürholz Polska Sp z o.o.**	**Bonaire Automotive Electrical Systems Co., Ltd.**
Current assets	828,292.64	173,671,188.99	45,144,389.50	893,801,066.34
Non-current assets		56,323,109.50	59,756,930.58	193,832,633.69
Total assets	828,292.64	229,994,298.49	104,901,320.08	1,087,633,700.03
Current liabilities	509,324.26	151,852,888.98	32,493,179.12	677,205,715.98
Non-current liabilities			16,360,710.10	17,267,454.95
Total liabilities	509,324.26	151,852,888.98	48,853,889.22	694,473,170.93
Minority interests				
Equity attributable to shareholders of the parent company	318,968.38	78,141,409.51	56,047,430.86	393,160,529.10
Net asset share calculated based on shareholding ratio	102,069.87	25,005,251.03	17,940,782.60	147,435,198.41
Adjusted matters		29,472,000.00		24,020,963.08
– Goodwill		27,400,500.00		24,020,963.08
– Impact of translation of foreign currency statements on goodwill		2,071,500.00		
Book value of equity investments in associates	102,069.87	54,477,251.03	17,940,782.60	171,456,161.49
Fair value of equity investments with public offers				
Operating revenue		553,592,431.89	146,110,143.77	772,184,626.43
Net profit	18,085.98	3,820,337.26	11,477,657.12	41,717,646.70
Other comprehensive income	17,191.04	2,251,403.49	6,158,104.44	
Total comprehensive income	35,277.02	6,071,740.75	17,635,761.56	41,717,646.70
Dividends received from associates by the enterprise in the current period				6,000,000.00

Continued:

Item	Amount at the beginning of the period/ Amount incurred in previous period Schürholz GmbH	Schürholz GmbH & Co. KG Stanztechnik	Schürholz Polska Sp z o.o.
Current assets	742,639.47	184,775,526.76	56,582,751.39
Non-current assets		47,373,766.99	56,120,199.98
Total assets	742,639.47	232,149,293.75	112,702,951.37
Current liabilities	458,948.11	174,119,486.76	74,291,282.07
Non-current liabilities			
Total liabilities	458,948.11	174,119,486.76	74,291,282.07
Minority interests			
Equity attributable to shareholders of the parent company	283,691.36	58,029,806.99	38,411,669.30
Net asset share calculated based on shareholding ratio	90,781.25	18,569,538.24	12,295,575.34
Adjusted matters		27,835,875.00	
– Goodwill		27,400,500.00	
– Impact of translation of foreign currency statements on goodwill		435,375.00	
Book value of equity investments in associates	90,781.25	46,405,413.24	12,295,575.34
Fair value of equity investments with public offers			
Operating revenue		505,553,618.58	113,490,833.83
Net profit	17,173.65	11,289,256.22	260,051.26
Other comprehensive income	7,527.65	-5,800,030.44	387,332.11
Total comprehensive income	24,701.30	5,489,225.78	647,383.37
Dividends received from associates by the enterprise in the current period		3,660,650.00	

IX. GOVERNMENT SUBSIDIES

(I) Government subsidies recognized by the amount receivable at the end of the reporting period

As of December 31, 2023, the Company had no receivables from government subsidies.

(II) Liabilities involving government subsidies

Liabilities	Beginning balance	New grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income the current period	Amount of cost offset the current period	Plus: other changes	Ending balance	Related to assets/income
Technical transformation project for annual production of 2 million sets of high-precision automotive sensors based on MEMS technology	360,000.00			120,000.00			240,000.00	Related to assets
R&D and industrialization projects of MEMS series sensors	400,000.00			200,000.00			200,000.00	Related to assets

Liabilities	Beginning balance	New grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income the current period	Amount of cost offset the current period	Plus: other changes	Ending balance	Related to assets/income
Subsidies for industrialization projects of NOX sensor for automobile energy conservation and environmental protection	2,994,892.57			473,862.16			2,521,030.41	Related to assets
2017 Industrial strong base engineering (Pressure sensors based on MEMS technology)	2,859,769.35	6,460,000.00		1,191,951.97			8,127,817.38	Related to assets
Subsidies for construction project of internet of vehicles system for commercial vehicles	2,592,000.00						2,592,000.00	Related to assets
Technical transformation project of auto parts and components production line with an annual output of 5 million sets	3,102,156.49			444,653.38			2,657,503.11	Related to assets
Technical transformation project of new auto parts and components production line with an annual output of 3 million sets	3,447,494.53			658,955.48			2,788,539.05	Related to assets
Construction project of automotive sensor intelligent production line	12,965,433.51			1,187,391.43			11,778,042.08	Related to assets
Awards and subsidies for intelligent manufacturing informatization promotion of high-precision automotive sensors		997,000.00		299,389.90			697,610.10	Related to assets
R&D and industrialization of high-precision wide-range new MSG automotive pressure sensor		5,500,000.00					5,500,000.00	Related to assets
Subsidies for investment in fixed assets of Yantai project	640,000.00			320,000.00			320,000.00	Related to assets
Subsidies for retaining wall	3,252,098.27	3,371,312.00		223,083.03			6,400,327.24	Related to assets
Special subsidies for industrial investment and technological development and transformation	453,528.99			85,126.32			368,402.67	Related to assets
Subsidies for machine substitution projects	393,260.32			59,769.84			333,490.48	Related to assets

Liabilities	Beginning balance	New grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income the current period	Amount of cost offset the current period	Plus: other changes	Ending balance	Related to assets/income
R&D and industrialization of precision stamping technology for automobile fuel tank connection locking chuck for China VI emission application	3,617,032.91			714,410.90			2,902,622.01	Related to assets
Subsidies for major equipment investment in transformation, upgrading and technical transformation projects	805,130.04			132,662.59			672,467.45	Related to assets
Subsidies for technical transformation of precision stamping parts production line with an annual output of 10 million sets of automobile chassis system	1,334,340.70			178,071.69			1,156,269.01	Related to assets
Total	39,217,137.68	16,328,312.00		6,289,328.69			49,256,120.99	

(III) Government subsidies included in the current profit or loss

Grants	Accounting item	Amount in the current period	Amount in the previous period	Related to assets/related to income
Subsidies for municipal special funds for technological transformation	Other income	595,200.00		Related to income
Subsidies for employment traineeship	Other income	69,400.00	28,728.00	Related to income
Subsidies for R&D expenses	Other income	58,400.00	100,000.00	Related to income
Commendation and reward for optimizing and improving the business environment in Hanjiang District	Other income	112,000.00		Related to income
"Hancheng Talent Agglomeration Plan" funding	Other income		150,000.00	Related to income
Subsidies for "Green Willow Golden Phoenix Program"	Other income	240,000.00	250,000.00	Related to income
Subsidies for stabilizing posts	Other income	170,341.00	209,497.00	Related to income
Special subsidies for intellectual property rights	Other income	103,362.50		Related to income
Subsidies for guiding the development of service industry	Other income	100,000.00		Related to income

Grants	Accounting item	Amount in the current period	Amount in the previous period	Related to assets/related to income
Subsidies for special funds for innovation capacity building plan	Other income	200,000.00		Related to income
Rewards for high-tech enterprises	Other income	150,000.00	60,000.00	Related to income
Special awards for scientific and technological innovation in 2022	Other income	150,000.00		Related to income
Subsidies for training and assessment of new apprenticeship system	Other income	56,000.00		Related to income
Collaborative innovation platform subsidies	Other income	250,000.00		Related to income
Subsidies for post expansion	Other income	6,000.00	18,000.00	Related to income
Subsidies for high-quality development of industrial economy and technological transformation	Other income	400,000.00	101,309.30	Related to income
Subsidies for automobile lightweight exhibition	Other income		48,000.00	Related to income
Subsidies for work-integrated training	Other income		56,000.00	Related to income
Disbursement of technical cooperation funds	Other income		2,000.00	Related to income
Patent subsidies	Other income		30,862.50	Related to income
Subsidies for non-local employees to stay in enterprises during the Spring Festival	Other income		16,500.00	Related to income
Rewards for meritorious enterprises	Other income		12,000.00	Related to income
International intelligent manufacturing innovation and entrepreneurship competition award	Other income		200,000.00	Related to income
Deferred income	Other income	6,289,328.69	5,070,503.02	Related to assets
Total		8,950,032.19	6,353,399.82	

X. DISCLOSURE OF RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include monetary funds, equity investments, debt investments, borrowings, accounts receivable, payables, etc. In daily activities, it is exposed to various financial instruments, mainly including credit risk, liquidity risk and market risk. The risks associated with these financial instruments and the risk management policy adopted by the Company to reduce these risks are described below:

The Board of Directors is responsible for planning and establishing the risk management structure of the Company, formulating the risk management policy and related guidelines of the Company and supervising the implementation of risk management measures. The Company has established risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's operating activities to determine whether to update the risk management policy and system. The risk management of the Company is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The internal audit department of the Company conducts regular audits on risk management controls and procedures, and reports the audit results to the audit committee of the Company. The Company diversifies financial instruments risks through appropriate diversification of investments and business portfolios, and reduces risks concentrated in a single industry, specific region or specific counterparty by formulating corresponding risk management policy.

(I) Various risks arising from financial instruments

1. Credit risk

Credit risk refers to the risk that the Company will incur financial losses due to the failure of the counterparty to fulfill its contractual obligations. The management has formulated appropriate credit policies and continuously monitors the exposure of these credit risks.

The Company has adopted a policy of only dealing with creditworthy counterparties. In addition, the Company evaluates the credit qualifications of customers and sets corresponding credit periods based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as the current market conditions. The Company continuously monitors the balance and recovery of notes receivable, accounts receivable and contract assets. For customers with poor credit records, the Company will use written reminders, shorten the credit period or cancel the credit period to ensure that the Company will not face significant credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that the relevant financial assets have made adequate provision for expected credit losses.

The Company's other financial assets include monetary funds, other receivables, debt investments, etc. The credit risk of these financial assets arises from the default of the counterparty, and the maximum credit risk exposure is the book value of each financial asset (including derivative financial instruments) in the balance sheet.

The monetary funds held by the Company are primarily deposited in financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management considers these commercial banks to have high creditworthiness and sound asset conditions, with no significant credit risks, and thus no material losses are expected to arise from default of the counterparty. The Company's policy is to control the amount of deposits held with each well-known financial institution based on its market reputation, size of operation and financial background, so as to limit the amount of credit risk to any single financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and considers the current and future economic conditions to adjust the expected loss rate, such as the national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information. For contract assets and long-term receivables, the Company comprehensively considers the settlement period, the contractual payment period, the financial status of the debtor and the economic situation of the debtor's industry, and reasonably evaluates the expected credit loss after adjusting the above forward-looking information.

As of December 31, 2023, the book balance and expected credit impairment loss of the relevant assets were as follows:

Item	**Book balance**	**Provisions for impairment**
Notes receivable	39,731,402.99	
Accounts receivable	496,847,971.19	26,196,027.72
Receivables financing	51,507,094.34	
Other receivables	10,884,170.76	898,368.11
Total	598,970,639.28	27,094,395.83

The Company's main customers were complete vehicle manufacturers or auto suppliers, which were reliable and have good reputations. Therefore, the Company believed that these customers had no major credit risk. Due to the wide range of customers of the Company, there was no significant credit concentration risk.

2. Liquidity risk

Liquidity risk refers to the risk of shortage of funds when the Company fulfills its obligations to settle by delivery of cash or other financial assets. The member enterprises under the Company are responsible for their own cash flows forecast. The financial department under the Company continuously monitors the short-term and long-term capital requirements of the Company at the company level based on the cash flow forecast results of each member enterprise to ensure that sufficient cash reserves are maintained; at the same time, it has continuously monitored whether the provisions of the borrowing agreement are met, and obtain commitments from major financial institutions to provide sufficient standby funds to meet the needs of short-term and long-term funding. In addition, the Company enters into a credit line facility agreement with its principal correspondent bank to support the Company's performance of its obligations in relation to commercial paper.

As of December 31, 2023, the Company's financial liabilities and off-balance sheet guarantee items are presented by remaining contract period based on undiscounted contractual cash flows as follows:

	Ending balance		
Item	**Within 1 year**	**Over 1 year**	**Total**
Non-derivative financial liabilities			
Short-term borrowings	283,424,820.46		283,424,820.46
Notes payable	4,261,791.38		4,261,791.38
Payables	229,018,731.43		229,018,731.43
Other payables	4,165,128.12		4,165,128.12
Other current liabilities	5,949,965.74		5,949,965.74
Long-term borrowings	57,200,000.00	74,800,000.00	132,000,000.00
Lease liabilities	8,567,128.87	13,930,679.05	22,497,807.92
Subtotal of non-derivative financial liabilities	592,587,566.00	88,730,679.05	681,318,245.05
Total	592,587,566.00	88,730,679.05	681,318,245.05

Continued:

	Beginning balance		
Item	**Within 1 year**	**Over 1 year**	**Total**
Short-term borrowings	159,000,000.00		159,000,000.00
Notes payable	10,850,128.80		10,850,128.80
Payables	149,182,955.73		149,182,955.73
Other payables	4,999,946.65		4,999,946.65
Other current liabilities	79,567.02		79,567.02
Lease liabilities	4,179,222.07	8,497,263.89	12,676,485.96
Subtotal of non-derivative financial liabilities	328,291,820.27	8,497,263.89	336,789,084.16
Total	328,291,820.27	8,497,263.89	336,789,084.16

3. Market risk

(1) Exchange rate risk

The Company's main business is located in China, and its main business is settled in RMB. However, there are still exchange rate risks for the Company's recognized foreign currency assets and liabilities and future foreign currency transactions (the valuation currencies of foreign currency assets and liabilities and foreign currency transactions are mainly USD and EUR). The Company's finance department is responsible for monitoring the scale of the Company's foreign currency transactions and foreign currency assets and liabilities to minimize the exchange rate risk it faces; to this end, the Company may sign forward exchange contracts or currency swap contracts to avoid exchange rate risks.

(1) The Company did not enter into any forward exchange contract or currency swap contracts during the year.

(2) As of December 31, 2023, the amount of foreign-currency financial assets and foreign-currency financial liabilities held by the Company converted into RMB was presented as follows:

	Ending balance		
Item	**USD**	**EUR**	**Total**
Foreign-currency financial assets:			
Monetary funds	11,020,949.22	8,996,231.96	20,017,181.18
Accounts receivable	11,425,577.14	8,808,708.45	20,234,285.59
Other receivables		7,241,838.62	7,241,838.62
Sub-total	22,446,526.36	25,046,779.03	47,493,305.39
Foreign-currency financial liabilities:			
Accounts payable	339,331.97	1,121,029.62	1,460,361.59
Sub-total	339,331.97	1,121,029.62	1,460,361.59

Continued:

	Beginning balance		
Item	**USD**	**EUR**	**Total**
Foreign-currency financial assets:			
Monetary funds	3,016,904.05	9,543,150.07	12,560,054.12
Accounts receivable	5,446,013.46	8,914,923.42	14,360,936.88
Other receivables		10,258,938.15	10,258,938.15
Sub-total	8,462,917.51	28,717,011.64	37,179,929.15
Foreign-currency financial liabilities:			
Accounts payable	1,165,896.33	863,322.03	2,029,218.36
Sub-total	1,165,896.33	863,322.03	2,029,218.36

(3) Sensitivity analysis

As of December 31, 2023, for the Company's various USD and EUR financial assets and USD and EUR financial liabilities, if the RMBappreciates or depreciates by 10% against the USD and EUR, and other factors remain unchanged, the Company will reduce or increase the net profit by about RMB4,603,294.38 (about RMB3,515,071.08 in 2022).

(2) Interest rate risk

The Company's interest rate risk mainly arises from bank borrowings, etc. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed interest rate and floating interest rate contracts according to the market environment at that time.

The finance department of the Company continuously monitors the interest rate level of the Company. Rising interest rates will increase the cost of new interest-bearing debt and the interest expense of the Company's outstanding interest-bearing debt with floating interest rates, and have a significant adverse impact on the Company's financial performance. The management will make timely adjustments based on the latest market conditions, which may be interest rate swap arrangements to reduce interest rate risk.

(1) The Company had no interest rate swap arrangement during the year.

(3) Price risk

Price risk refers to the risk of fluctuations in market prices other than exchange rate risk and interest rate risk, which mainly arises from changes in commodity prices, stock market indices, equity instruments prices and other risk variables.

The Company sells products at market prices and is affected by the above price fluctuations.

(II) Financial assets

1. Classification of transfer modes

Transfer mode	Nature of transferred financial assets	Amount of transferred financial assets	Derecognition	Judgment basis for derecognition
Endorsement, discount	Bank acceptance bill endorsed and discounted but not expired	108,584,590.36	Derecognition	Have transferred almost all of its risks and rewards
Endorsement, discount	Bank acceptance bill endorsed and discounted but not expired	14,321,350.31	Not derecognized	
Total		122,905,940.67		

2. Financial assets derecognized due to transfer

Item	Transfer method of financial assets	Amount of financial assets derecognized	Gains or losses related to derecognition
Unexpired bank acceptance bill in notes receivable	Endorsement, discount	108,584,590.36	-1,104,990.43
Total		108,584,590.36	-1,104,990.43

XI. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the book value of financial assets instruments measured at fair value as of December 31, 2023 by three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level of the three levels to which each significant input used in the measurement at fair value belongs. The three levels are defined as follows:

Level 1: the unadjusted quoted price in the active market for the same asset or liability that is obtainable on the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the relevant asset or liability;

Level 2 inputs includes: 1) the quoted price of similar assets or liabilities in the active market; 2) Quoted prices for identical or similar assets or liabilities in non-active markets; 3) Other observable inputs other than quoted prices, including interest rate and yield curves, implied volatility and credit spreads that are observable during the normal interval of quoted prices; 4) Inputs verified by the market, etc.

Level 3: unobservable inputs of the relevant assets or liabilities.

(II) Measured at fair value at the end of the period

1. Continuous measurement at fair value

Item	Fair value as at the end of the period Level 1	Level 2	Level 3	Total
Subtotal of financial assets measured at fair value through current profit or loss	481,459,780.42			481,459,780.42
Others	481,459,780.42			481,459,780.42
Receivables financing			51,507,094.34	51,507,094.34
Subtotal of other non-current financial assets			39,644,275.49	39,644,275.49
Investments in equity instruments			39,644,275.49	39,644,275.49
Total assets	481,459,780.42		91,151,369.83	572,611,150.25

(III) Determination basis for the market price of items measured at fair value at Level 1 on a continuous and non-continuous basis

The Company's financial assets held for trading are mainly private placement products issued by brokers, and the fair value is recognized at the valuation provided by the relevant institutions at the end of the period.

(IV) Valuation techniques and qualitative and quantitative information on important parameters used for items measured at fair value at Level 3 on a continuous and non-continuous basis

1. Valuation techniques and inputs description

The Company adopts valuation techniques to determine the fair value of the equity investments in Wuxi Longway Technology Co., Ltd. The valuation model used is the discounted cash flow model, and the inputs of the valuation techniques mainly include the risk-free rate of return and the industry risk rate of return.

The receivables financing held by the Company are bank acceptance bills with high credit ratings, because the terms of these bills are due within 1 year, the acceptor has a high credit rating, and there is no significant credit risk, and the expected future cash flow recovery is equal to its book value, it is judged that the fair value is consistent with the book value.

2. Information on unobservable inputs

Item	Fair value as at the end of the period	Valuation techniques	Unobservable inputs	Range interval
Equity investments of Wuxi Longway Technology Co., Ltd.	39,644,275.49	Discounted cash flow model	Risk-free return rate	2.97%
			Industry risk return rate	8%
Total	39,644,275.49			

3. Valuation process

The Company entrusted Yangzhou Jiancheng asset evaluation firm (general partnership) to value the 15.429% equity of Wuxi Longway Technology Co., Ltd.

(V) For items measured at fair value on a continuous basis, if there is a conversion between different levels within the current period, the reasons for the conversion and the policy for determining the time point of the conversion

The above-mentioned continuous items measured at fair value of the Company did not have any conversion between levels during the year.

(VI) Changes in valuation techniques and reasons for the change in the current period

The fair value valuation techniques of the Company's financial instruments have not changed during the year.

(VII) Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term borrowings, payables, non-current liabilities and long-term borrowings maturing within one year, and investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured.

The difference between the book value and fair value of the above financial assets and liabilities not measured at fair value is small.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Parent company of the Company

Name	Registration place	Business nature	ID No.	Shareholding ratio of the Company *(%)*	Ratio of voting right in the Company *(%)*
Li Hongqing	Room 274, Jinyangyuan, No. 48 Jiangyang West Road, Hanjiang District, Yangzhou City, Jiangsu Province	Natural person	321027XXXXXXXX3058	36.78	36.78

(II) For details of the Company's subsidiaries, please refer to Note VIII. (I) Equity in subsidiaries

(III) Joint ventures and associates of the Company

For details of the Company's significant joint ventures or associates, please refer to Note VIII. (II) Equity in joint venture arrangements or associates.

Other joint ventures or associates that have related party transactions with the Company in the current period, or have related party transactions with the Company in the previous period to form balances are as follows:

Name of joint venture or associate	Relationship with the Company
Schürholz GmbH	Associate
Schürholz GmbH & Co. KG Stanztechnik	Associate
Schürholz Polska Sp z o.o.	Associate
Bonaire Automotive Electrical Systems Co., Ltd.	Associate

(IV) Other related parties

Other related parties	Relationships between other related parties and the Company
Teng Fei	Shareholders, directors and senior officers who are natural persons
Fang Tailang	Director and senior officer
Li Jiawen	Director
Kong Youtian	CFO
Yu Ping	Independent director
Pan Chuanqi	Independent director
Dai Zhaoxi	Senior officer
Zuo Qiang	Senior officer
Wuxi Longway Technology Co., Ltd.	Joint-stock companies of the Company
Jiangsu Qiaozhixin Automation Equipment Co., Ltd.	Other subsidiary companies directly controlled by the actual controller

(V) Related party transactions

1. For subsidiaries under common control that are included in the Company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.

2. Related party transaction of purchase of goods and receipt of labor service

Related party	Related party transactions	Amount in the current period	Amount in the previous period
Schürholz GmbH & Co. KG Stanztechnik	Materials	172,694.60	11,066.71
Schürholz GmbH & Co. KG Stanztechnik	Products	776,584.34	244,647.77
Schürholz GmbH & Co. KG Stanztechnik	Molds	2,148,939.08	2,403,627.53
Schürholz GmbH & Co. KG Stanztechnik	Labor services	676,890.20	587,073.52
Wuxi Longway Technology Co., Ltd.	Products	23,619,270.42	10,296,845.66
Total		27,394,378.64	13,543,261.19

3. Related party transaction of sales of goods and rendering of labor service

Related party	Related party transactions	Amount in the current period	Amount in the previous period
Schürholz GmbH & Co. KG Stanztechnik	Products	9,657,809.18	7,564,604.72
Schürholz GmbH & Co. KG Stanztechnik	Materials		544.49
Wuxi Longway Technology Co., Ltd.	Materials	8,075.00	
Total		9,665,884.18	7,565,149.21

4. Related party leases

(1) The Company as the lessee

Lessor	Type of leased asset	Lease fee recognized in the current period	Lease fee recognized in previous period
Jiangsu Qiaozhixin Automation Equipment Co., Ltd.	Equipment leasing	72,197.94	
Total		72,197.94	

5. Related party guarantees

(1) The Company as the guaranteed party

Guarantor	Guarantee amount *(RMB'0,000)*	Start date of guarantee	Maturity date of guarantee	Whether the responsibility is fulfilled
Li Hongqing	7,000.00	July 26, 2022	July 24, 2023	Yes
Li Hongqing	4,900.00	September 6, 2022	September 6, 2023	Yes
Total	11,900.00			

6. Remuneration of key officers

Related party	Amount in the current period	Amount in the previous period
Remuneration of key officers	2,691,392.00	3,263,134.53

7. Other related party transactions

Transaction type	Name of related party	Amount in the current period	Amount in the previous period	Pricing method and decision-making procedure
Fund occupation fee	Schürholz GmbH & Co. KG Stanztechnik	265,123.57	200,446.94	Agreement
Total		265,123.57	200,446.94	

(8) Receivables from and payables to related parties

(1) The Company's receivables from related parties

Related party	Ending balance Book balance	Ending balance Provision for bad debts	Beginning balance Book balance	Beginning balance Provision for bad debts
Accounts receivable	8,373,735.22	418,686.76	5,612,004.34	280,600.22
Schürholz GmbH & Co. KG Stanztechnik	8,373,735.22	418,686.76	5,612,004.34	280,600.22
Other receivables	7,241,838.62		10,258,938.15	
Schürholz GmbH & Co. KG Stanztechnik	6,138,854.44		9,474,740.02	
Schürholz GmbH & Co. KG Stanztechnik	1,102,984.18		784,198.13	
Total	15,615,573.84	418,686.76	15,870,942.49	280,600.22

(2) The Company's payables to related parties

Related party	Ending balance	Beginning balance
Accounts payable	13,652,671.44	4,240,344.72
Wuxi Longway Technology Co., Ltd.	13,652,671.44	4,240,344.72
Total	13,652,671.44	4,240,344.72

XIII. SHARE-BASED PAYMENTS

(I) Overview of share-based payments

1. Equity instruments

Category of grant object	Granted in the current period Number	Granted in the current period Amount	Exercised in the current period Number	Exercised in the current period Amount	Unlocked in the current period Number	Unlocked in the current period Amount	Invalidation in the current period Number	Invalidation in the current period Amount
Director, senior officer and core personnel	750,000.00	4,110,000.00					300,000.00	870,000.00
Total	750,000.00	4,110,000.00					300,000.00	870,000.00

(II) Equity-settled share-based payment

Determination method of the fair value of equity instruments on the grant date	Fair value of the restricted shares on the grant date = closing price of the stock on the grant date – grant price
Important parameters of the fair value of equity instruments on the grant date	RMB2.90/share, RMB5.48/share
Determination basis of the number of exercisable equity instrument	It is determined by multiplying the base number of restricted shares granted by the corporate performance coefficient and individual performance coefficient for the corresponding year
Reasons for the significant difference between the current period estimate and the previous estimate	No significant differences
Cumulative amount of equity-settled share-based payments included in capital reserves	24,515,326.38
Total expenses recognized for equity-settled share-based payments in the current period	23,035,077.77

(1) Summary of the Company's restricted shares plan

The 2022 Restricted Stock Incentive Plan (Draft) of Jiangsu Olive Sensors High-tech Corporation Limited was reviewed and approved at the 23rd Meeting of the 4th Board of Directors held by the Company on October 20, 2022, the 3rd Extraordinary General Meeting of 2022 held on November 9, 2022. The Proposal on Adjusting the List of the Initial Grant of Incentive Objects and the Number of Grants under the 2022 Restricted Stock Incentive Plan and the Proposal on Granting Restricted Shares to Incentive Objects was reviewed and approved at the 25th Meeting of the 4th Board of Directors held on December 9, 2022. The Company intends to grant 14.85 million restricted shares to the incentive objects, including 12.85 million shares for the initial grant at a price of RMB3.13 per share, with the initial grant date being December 9, 2022, and 2 million shares for the reserved part. The stock source of the incentive plan is the RMBA-share ordinary shares issued to the incentive object in a targeted way.

On December 9, 2022, the Company granted 12.85 million restricted shares to 48 incentive objects, including the Company's directors, senior officers, middle and senior officers of the departments, core officers and other employees deemed by the Company as having a direct impact on its operational performance and future development, with the grant date being the same day.

On November 8, 2023, the Company held the 7th meeting of the 5th Board of Directors and the 7th meeting of the 5th Board of Supervisors, during which the Proposal on Adjusting the Grant Price under the 2022 Restricted Stock Incentive Plan, Proposal on Granting the Reserved Restricted Shares to Incentive Objects under 2022 Restricted Stock Incentive Plan and Proposal on Abandoning the Partial Reserved Restricted Shares under 2022 Restricted Stock Incentive Plan were reviewed and approved. Due to the implementation of the 2022 annual equity distribution plan, the Board of Directors adjusted the grant price under the 2022 restricted stock incentive plan accordingly. After the adjustment, the grant price under the 2022 restricted stock incentive plan was RMB3.01 per share; the vesting conditions for the reserved portion under the Company's 2022 restricted stock incentive plan have been fulfilled, and the Board of Directors approved November 8, 2023 as the grant date for the reserved restricted shares and agreed to grant 750,000 restricted shares to 3 eligible incentive objects. As of November 8, 2023, there were no designated incentive objects for the remaining 1,250,000 reserved restricted shares under the Company's 2022 restricted stock incentive plan, and the Company processed these 1,250,000 restricted shares as invalid and void.

The restriction release periods and corresponding schedule for the restricted shares for initial grant are shown in the following table:

Unlocking arrangement	Unlocking time	Unlocking ratio
First vesting	From the first trading day after 12 months from the initial grant date to the last trading day within 24 months from the grant date	40%
Second vesting	From the first trading day after 24 months from the initial grant date to the last trading day within 36 months from the grant date	30%
Third vesting	From the first trading day after 36 months from the initial grant date to the last trading day within 48 months from the grant date	30%

The reserved restricted shares have not been granted, and the restriction release periods and the corresponding schedule are shown in the following table:

Unlocking arrangement	Unlocking time	Unlocking ratio
First vesting	From the first trading day after 12 months from the grant date of the reserved part to the last trading day within 24 months from the grant date of the reserved part	50%
Second vesting	From the first trading day after 24 months from the grant date of the reserved part to the last trading day within 36 months from the grant date of the reserved part	50%

Conditions for unlocking restricted shares:

(1) Unlocking conditions on the Company's performance

The performance assessment of this incentive plan covers three accounting years from 2023 to 2025, and the assessment will be conducted once each year. Achievement of performance assessment objectives is one of the vesting conditions for restricted shares. The performance assessment objectives for the restricted shares for initial grant under the incentive plan for each year are shown in the following table:

Batch	Vesting period	Performance assessment objectives
Initial grant	The first vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2023 shall not be lower than 15%
	The second vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2024 shall not be lower than 30%
	The third vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2025 shall not be lower than 45%
Reserved shares	The first vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2024 shall not be lower than 30%
	The second vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2025 shall not be lower than 45%

If the Company fails to meet the above performance assessment objectives, all restricted shares eligible for release during the assessment year shall not be released, and shall be repurchased and canceled by the Company. The repurchase price shall be the sum of the grant price and the interest from bank deposits of the same period.

(2) Performance appraisal requirements for individual incentive object

The individual-level performance appraisal of incentive objects shall be implemented in accordance with the Company's existing regulations on compensation and assessment, and the number of shares actually vested in each object shall be determined based on their assessment results. The performance appraisal results of the incentive objects are divided into four grades: A, B+, B and C, and the Appraisal and Evaluation Form is applicable to the appraised objects. At that time, the number of shares actually owned by the incentive objects will be determined according to the following table:

Assessment result	A	B+	B	C
Individual vesting ratio (N)	100%	100%	80%	0

If the Company's performance assessment objectives are achieved, the number of restricted shares actually vested to the incentive object in the current year = the number of shares planned to be vested to the individual in the current year × individual vesting ratio (N). If the restricted shares to be vested to the incentive objects in the current period cannot be vested partially or wholly due to the assessment, they will be invalid and cannot be deferred to future years.

(2) The main parameters for determining the fair value of equity instruments on the grant date are as follows:

Item	Restricted shares for the initial grant	Reserved restricted shares	Remark
Grant date	December 9, 2022	November 8, 2023	
Stock price on the authorization date (RMB/share)	6.03	8.49	Closing price on grant date
Grant price (RMB/share)	3.13	3.01	Approved by the Board of Directors

(III) Share-based payment expenses for the current period

Category of grant object	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Director, senior officer and core personnel	23,035,077.77	

XIV. COMMITMENTS AND CONTINGENCIES

(I) Major commitments

1. Lease contracts involving payment commitments

Item	Ending amount	Beginning balance
Within 1 year	9,155,310.60	3,838,046.40
1-2 years	5,482,497.05	3,988,425.12
2-3 years	3,842,767.89	2,463,881.28
3-4 years	2,444,100.00	1,583,460.00
4-5 years	2,268,750.00	944,100.00
Over 5 years	750,000.00	768,750.00
Total	23,943,425.54	13,586,662.80

2. Signed restructuring plans being performed or to be performed

On December 17, 2023, the Company signed a Framework Agreement with Xuqing Co., Ltd. The Company proposed to purchase 24% equity of Bonaire Automotive Electrical Systems Co., Ltd. held by Xuqing Co., Ltd. (hereinafter referred to as "Xuqing") in cash. If this transaction is successfully implemented, the Company will hold 61.5% equity of Bonaire Automotive Electrical Systems Co., Ltd.

Except for the above commitments, as of December 31, 2023, the Company has no other major commitments required to be disclosed.

(II) Contingencies on the balance sheet date

The Company has no other contingencies required to be disclosed.

XV. POST BALANCE SHEET EVENTS

(I) Profit distribution

Profit or dividend to be distributed	47,491,734.42
Profit or dividend declared to be granted upon deliberation and approval	

The Company held the 9th meeting of the 5th Board of Directors on April 8, 2024, and approved the Company's profit distribution plan for 2023 at the meeting. The Company will distribute a cash dividend of RMB0.6 per 10 shares (tax inclusive) to all shareholders based on the total share capital of 791,528,907 shares, with no bonus shares to be issued.

The plan is subject to the consideration and approval at the Company's 2023 annual general meeting.

(II) Notes to other post balance sheet events

On April 8, 2024, the Company held the 9th meeting of the 5th Board of Directors and the 8th meeting of the 5th Board of Supervisors, and reviewed and approved the Proposal on Terminating Some Fund-raising Investment Projects to Permanently Supplement Working Capital with the Remaining Raised Funds and Changing the Use of Raised Funds for Some Fund-raising Investment Projects to Permanently Supplement Working Capital. It was agreed that the Company would terminate the "Commercial Vehicle Internet of Vehicles System Construction Project" from the fund-raising projects under the 2021 private placement. All remaining raised funds after the termination of the above-mentioned fund-raising project would be used to permanently replenish the Company's working capital for daily operating activities related to its main business; it was agreed that the Company would change the use of the raised funds for the "Intelligent Production Line Construction Project for Automotive Sensors" in this issuance. Specifically, the investment scale of the raised funds for this project shall be reduced from the original planned amount of RMB340 million to RMB180 million, and the raised funds for the changed portion shall be permanently used to replenish working capital.

Except for the above post balance sheet events, as of the date of approval of the financial report, the Company has no other major post balance sheet events required to be disclosed.

XVI. NOTES TO OTHER IMPORTANT MATTERS

(I) Accounting errors in prior periods

1. Retrospective restatement method

No prior errors using retrospective restatement method were found during the reporting period.

2. Prospective application method

No accounting errors in prior periods with prospective application method were found during the reporting period.

(II) Segment information

The Company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The operating segments of the Company refer to components that meet the following conditions at the same time:

(1) The component is able to generate revenue and incur expenses in daily activities;

(2) The management can regularly evaluate the operating results of the component to decide its resources allocation and evaluate its performance;

(3) The relevant accounting information such as the financial status, operating results and cash flows of the component can be obtained.

The Company determines the reporting segments on the basis of operating segments, and the operating segments meeting one of the following conditions are determined as the reporting segments:

(1) The segment revenue of the operating segment accounts for 10% or more of the total revenue of all segments;

(2) The absolute amount of the segment's profit (or loss) accounts for 10% or more of the greater of the total profit of all profit-making segments or the total loss of all loss-making operating segments.

The Company operates in a single business segment, primarily engaged in the production of sensors, fuel system accessories, interior trim parts and other auto parts. The management manages and evaluates operational results as a single integrated unit. Therefore, the financial statements do not report segment information.

XVII. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 1. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Ending balance	Beginning balance
Within 1 year	397,852,645.13	229,331,309.91
1-2 years	4,447,913.23	266,622.61
2-3 years	32,076.24	165,124.52
3-4 years	147,643.59	170,951.25
4-5 years	170,951.25	584,149.80
Over 5 years	589,709.85	19,066.05
Sub-total	403,240,939.29	230,537,224.14
Less: provision for bad debts	21,021,530.43	12,216,130.18
Total	382,219,408.86	218,321,093.96

2. Disclosure under the methods of provision for bad debts by category

Type	Ending balance				
	Book balance		Provision for bad debts		Book value
	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	
Provision for bad debts accrued on an individual basis	1,307,524.28	0.32	1,307,524.28	100.00	
Provision for bad debts made by portfolio	401,933,415.01	99.68	19,714,006.15	4.90	382,219,408.86
Including: aging portfolio	393,415,453.87	97.56	19,714,006.15	5.01	373,701,447.72
Portfolio of related parties within the consolidation scope	8,517,961.14	2.12			8,517,961.14
Total	403,240,939.29	100.00	21,021,530.43		382,219,408.86

Continued:

Type	Beginning balance				
	Book balance		Provision for bad debts		Book value
	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	
Provision for bad debts accrued on an individual basis	899,394.84	0.39	899,394.84	100.00	
Provision for bad debts made by portfolio	229,637,829.30	99.61	11,316,735.34	4.93	218,321,093.96
Including: aging portfolio	225,623,238.18	97.87	11,316,735.34	5.02	214,306,502.84
Portfolio of related parties within the consolidation scope	4,014,591.12	1.74			4,014,591.12
Total	230,537,224.14	100.00	12,216,130.18		218,321,093.96

Provision for bad debts accrued on an individual basis

	Ending balance			
Entity name	**Book balance**	**Provision for bad debts**	**Provision ratio** (%)	**Reasons for provision**
Shanghai Eastone Automotive Technology Co., Ltd.	580,800.00	580,800.00	100.00	Refusal to execute repayment after mediation
Beijing Borgward Automotive Co., Ltd.	318,594.84	318,594.84	100.00	The Company declares bankruptcy
Jiangxi Yiwei Automotive Manufacturing Co., Ltd.	221,084.50	221,084.50	100.00	The person who has ceased production or has defaulted on execution
Jiangxi Zhiqu Electric Technology Co., Ltd.	187,044.94	187,044.94	100.00	The person who has ceased production or has defaulted on execution
Total	1,307,524.28	1,307,524.28		

Provision for bad debts made by portfolio

(1) Aging portfolio

		Ending balance	
Aging	**Book balance**	**Provision for bad debts**	**Provision ratio** (%)
Within 1 year	392,775,314.72	19,638,765.74	5.00
1-2 years	599,153.06	59,915.31	10.00
2-3 years	32,076.24	6,415.25	20.00
Over 5 years	8,909.85	8,909.85	100.00
Total	393,415,453.87	19,714,006.15	

(2) Portfolio of related parties within the consolidation scope

		Ending balance	
Aging	**Book balance**	**Provision for bad debts**	**Provision ratio** (%)
Related parties within the consolidation scope	8,517,961.14		
Total	8,517,961.14		

3. Provision for bad debts accrued, recovered or reversed in the current period

		Change in the current period				
Type	**Beginning balance**	**Provision**	**Recovery or reversal**	**Write-off**	**Other changes**	**Ending balance**
Provision for bad debts accrued on an individual basis	899,394.84	365,831.46			-42,297.98	1,307,524.28
Provision for bad debts made by portfolio	11,316,735.34	10,047,839.25	1,594,764.46	13,506.00	42,297.98	19,714,006.15
Including: aging portfolio	11,316,735.34	10,047,839.25	1,594,764.46	13,506.00	42,297.98	19,714,006.15
Total	12,216,130.18	10,413,670.71	1,594,764.46	13,506.00		21,021,530.43

4. Actual accounts receivable written off in the current period

Item	**Amount for write-off**
Actual accounts receivable written off	13,506.00

5. Top five accounts receivable and contract assets in terms of ending balance collected by the debtor

Entity name	**Ending balance of accounts receivable**	**Ending balance of contract assets**	**Ending balances of accounts receivable and contract assets**	**Proportion in the ending balance of accounts receivable** *(%)*	**Balance of provision for bad debts of accounts receivable and contract assets**
No. 1	54,319,530.08		54,319,530.08	13.47	2,715,976.50
No. 2	37,963,335.41		37,963,335.41	9.41	1,898,166.77
No. 3	26,721,859.91		26,721,859.91	6.63	1,336,093.00
No. 4	21,946,541.87		21,946,541.87	5.44	1,097,327.09
No. 5	19,577,181.96		19,577,181.96	4.85	978,859.10
Total	160,528,449.23		160,528,449.23	39.80	8,026,422.46

Note 2. Other receivables

Item	**Ending balance**	**Beginning balance**
Interest receivable		
Dividends receivable		6,000,000.00
Other receivables	19,191,228.11	17,027,918.52
Total	19,191,228.11	23,027,918.52

Note: other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

(I) Dividends receivable

Investee	**Ending balance**	**Beginning balance**
Yantai Olive Pipeline Co., Ltd.		6,000,000.00
Total		6,000,000.00

(II) Other receivables

1. Disclosure of other receivables by aging

Aging	**Ending balance**	**Beginning balance**
Within 1 year	2,544,868.11	1,951,600.60
1-2 years	1,856,622.24	1,769,185.70
2-3 years	1,737,220.00	1,008,327.99
3-4 years	1,008,327.99	882,300.00
4-5 years	882,300.00	3,979,618.41
Over 5 years	11,865,386.54	7,890,152.13
Sub-total	19,894,724.88	17,481,184.83
Less: provision for bad debts	703,496.77	453,266.31
Total	19,191,228.11	17,027,918.52

2. Classification by nature of payment

Nature of payment	**Ending balance**	**Beginning balance**
Security deposit	1,764,800.00	800,000.00
Petty cash	19,334.30	26,500.00
Fund borrowing	1,000,000.00	
Transactions between related parties	16,825,149.95	16,250,949.95
Others	285,440.63	403,734.88
Sub-total	19,894,724.88	17,481,184.83
Less: provision for bad debts	703,496.77	453,266.31
Total	19,191,228.11	17,027,918.52

3. Classified disclosure by provision of bad debts

	Ending balance				
Type	**Book balance**		**Provision for bad debts**		**Book value**
	Amount	**Ratio** *(%)*	**Amount**	**Provision ratio** *(%)*	
Provision for bad debts accrued on an individual basis	277,910.28	1.40	277,910.28	100.00	
Provision for bad debts made by portfolio	19,616,814.60	98.60	425,586.49	2.17	19,191,228.11
Including: Portfolio I	2,791,664.65	14.03	425,586.49	15.24	2,366,078.16
Portfolio II	16,825,149.95	84.57			16,825,149.95
Total	19,894,724.88	100.00	703,496.77		19,191,228.11

Continued:

Type	Beginning balance Book balance Amount	Ratio (%)	Provision for bad debts Amount	Provision ratio (%)	Book value
Provision for bad debts accrued on an individual basis	277,910.28	1.59	277,910.28	100.00	–
Provision for bad debts made by portfolio	17,203,274.55	98.41	175,356.03	1.02	17,027,918.52
Including: Portfolio I	952,324.60	5.45	175,356.03	18.41	776,968.57
Portfolio II	16,250,949.95	92.96			16,250,949.95
Total	17,481,184.83	100.00	453,266.31		17,027,918.52

Provision for bad debts made on an individual basis

Entity name	Ending balance Book balance	Provision for bad debts	Provision ratio (%)	Reasons for provision
Shanghai Dizai'en Mould & Plastic Technology Co., Ltd.	277,910.28	277,910.28	100.00	Listed as untrustworthy
Total	277,910.28	277,910.28		

Provision for bad debts made by portfolio

(1) Portfolio I

Aging	Ending balance Book balance	Provision for bad debts	Provision ratio (%)
Within 1 year	1,970,668.11	98,533.41	5.00
1-2 years	1,462.24	146.22	10.00
2-3 years	609,534.30	121,906.86	20.00
3-4 years	10,000.00	5,000.00	50.00
Over 5 years	200,000.00	200,000.00	100.00
Total	2,791,664.65	425,586.49	

(2) Portfolio I

Aging	Ending balance Book balance	Provision for bad debts	Provision ratio (%)
Related parties within the consolidation scope	16,825,149.95		
Total	16,825,149.95		

The provision for bad debts made according to the general model of expected credit losses

Provision for bad debts	First stage Expected credit loss for the next 12 months	Second stage Expected credit loss during the entire duration (without credit impairment)	Third stage Expected credit loss during the entire duration (with credit impairment)	Total
Beginning balance		175,356.03	277,910.28	453,266.31
Beginning balance in the current period				
– Transfer to the second stage				
– Transfer to the third stage				
– Reversal to the second stage				
– Reversal to the first stage				
Provision in the current period		261,256.52		261,256.52
Reversal in the current period		-11,026.06		-11,026.06
Charge-off in the current period				
Write-off in the current period				
Other changes				
Ending balance		425,586.49	277,910.28	703,496.77

(3) Provision for bad debts accrued, recovered or reversed in the current period

Type	Beginning balance	Change in the current period Provision	Recovery or reversal	Resale or write-off	Other changes	Ending balance
Provision for bad debts accrued on an individual basis	277,910.28					277,910.28
Provision for bad debts made by portfolio	175,356.03	261,256.52	11,026.06			425,586.49
Including: Portfolio I	175,356.03	261,256.52	11,026.06			425,586.49
Total	453,266.31	261,256.52	11,026.06			703,496.77

4. *No other receivables actually written off in the current period*

5. Top five other receivables in terms of ending balance collected by the debtor

Entity name	Nature of payment	Ending balance	Aging	Proportion in the ending balance of other receivables (%)	Ending balance of provision for bad debts
No. 1	Current accounts with subsidiary	16,825,149.95	1-5 years/over 5 years	84.57	
No. 2	Security deposit	1,246,600.00	1-3 years	6.27	152,330.00
No. 3	Fund borrowing	1,000,000.00	Within 1 year	5.03	50,000.00
No. 4	Security deposit	300,000.00	Within 1 year	1.51	15,000.00
No. 5	Advances to suppliers transfer in	277,910.28	Over 5 years	1.40	277,910.28
Total		19,649,660.23		98.78	495,240.28

Note 3. Long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Investment in subsidiaries	99,561,802.77		99,561,802.77	98,561,802.77		98,561,802.77
Investments in associates and joint ventures	171,456,161.49		171,456,161.49			
Total	271,017,964.26		271,017,964.26	98,561,802.77		98,561,802.77

1. Investments in subsidiaries

Investee	Initial investment cost	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Provision for impairment made in the current period	Balance of provision for impairment as at the end of the period
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	5,100,000.00	5,100,000.00			5,100,000.00		
Yantai Olive Pipeline Co., Ltd.	40,000,000.00	40,000,000.00			40,000,000.00		
Wuhan Olive Auto Parts Co., Ltd.	40,000,000.00	40,000,000.00			40,000,000.00		
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	2,750,000.00	2,750,000.00			2,750,000.00		
Olive (Europe) Holdings S.à r.l.	146,314.00	146,314.00			146,314.00		
Kunshan Olive Auto Parts Co., Ltd.		3,065,488.77			3,065,488.77		
Jiangsu Ruishi Sensing Technology Co., Ltd.		7,500,000.00			7,500,000.00		
Changzhou Olive Auto Parts and Components Co., Ltd.							
Jiangsu Weihong Semiconductor New Materials Co., Ltd.	1,000,000.00		1,000,000.00		1,000,000.00		
Total	88,996,314.00	98,561,802.77	1,000,000.00		99,561,802.77		

2. Investment in associates

Investee	Beginning balance	Provisions for impairment Beginning balance	Increase/decrease in the current period Additional investment	Reduced investment	Investment income recognized under the equity method	Adjustment of other comprehensive income
Bonaire Automotive Electrical Systems Co., Ltd.			161,250,000.00	-6,000,000.00	15,644,117.51	
Total			161,250,000.00	-6,000,000.00	15,644,117.51	

Continued:

Investee	Increase/decrease in the current period Changes in other equity	Cash dividends or profits declared and distributed	Provision for impairment	Others	Ending balance	Provisions for impairment Ending balance
Bonaire Automotive Electrical Systems Co., Ltd.	562,043.98				171,456,161.49	
Total	562,043.98				171,456,161.49	

Note 4. Operating revenue and operating costs

1. Operating revenue and operating costs

Item	Amount in the current period Revenue	Cost	Amount in the previous period Revenue	Cost
Primary business	816,463,937.23	675,449,619.62	674,418,123.90	559,329,118.77
Other business	10,735,705.88	10,554,741.65	12,626,461.98	11,507,263.35
Total	827,199,643.11	686,004,361.27	687,044,585.88	570,836,382.12

2. Revenue arising from contracts

Contract classification	Amount in the current period
I. Business or commodity type	827,199,643.11
Auto sensors and accessories	256,580,769.30
Accessories for automotive fuel systems	252,530,226.42
Auto interior trim parts	181,894,534.87
New energy parts	122,821,052.70
IOV products	2,637,353.94
Others	10,735,705.88
II. Classification by business area	827,199,643.11
Domestic sales	792,450,198.53
Export sales	34,749,444.58

Contract classification	Amount in the current period
III. Contract type	827,199,643.11
Product sales contract	825,294,866.03
Lease contract	1,904,777.08
IV. Classification by time of commodity transfer	827,199,643.11
Transfer at a point in time	827,199,643.11

Continued:

Contract classification	Amount in the previous period
I. Business or commodity type	687,044,585.88
Auto sensors and accessories	217,619,417.84
Accessories for automotive fuel systems	238,268,090.63
Auto interior trim parts	131,892,624.05
New energy parts	84,512,514.38
IOV products	2,125,477.00
Others	12,626,461.98
II. Classification by business area	687,044,585.88
Domestic sales	664,552,371.85
Export sales	22,492,214.03
III. Contract type	687,044,585.88
Product sales contract	685,349,585.87
Lease contract	1,695,000.01
IV. Classification by time of commodity transfer	687,044,585.88
Transfer at a point in time	687,044,585.88

Note 5. Investment income

Sources of investment income	Amount in the current period	Amount in the previous period
Income from long-term equity investments accounted for by using the equity method	15,644,117.51	
Income from long-term equity investment under cost method	15,860,376.61	31,107,627.24
Investment income from disposal of long-term equity investments		226,913,501.40
Investment income during the holding period of trading financial assets		1,159,957.08
Investment income from disposal of financial assets held for trading	26,559,829.48	14,655,862.46
Investment income during the holding period of debt investments	7,916,342.72	9,073,031.64
Investment income from disposal of debt investments	10,403,789.07	7,843,002.76
Gains (losses) from derecognition of financial assets measured at amortized costs	-901,915.19	-615,088.84
Total	75,482,540.20	290,137,893.74

XVIII. SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss

1. Breakdown of current non-recurring profit or loss

Item	Amount	Notes
Profit or loss from disposal of non-current assets, including the writing-off part for which the provision for asset impairment is made	46,462.56	
Government subsidies included in the current profit or loss (except for government grants closely related with the normal business of the Company, obtained according to established criteria and in accordance with the national policies and provisions and those continuously affecting the profit or loss of the Company)	8,950,032.19	
Profit or loss from changes in fair value of financial assets and liabilities held by non-financial enterprises and profit or loss from the disposal of financial assets and financial liabilities, except for effective hedging operations related to the Company's normal business operations	47,191,004.13	
Fund possession costs included in the current profit or loss and collected from non-financial enterprises	310,447.71	
Non-operating revenue and expenses other than the above-mentioned items	-3,281,436.27	
Other items of profit or loss subject to the definition of non-recurring profit or loss	4,341,796.92	
Less: income tax effects	8,692,748.59	
Adjustment to minority interests (after tax)	1,395,073.83	
Total	47,470,484.82	

2. Based on the definitions and principles, the Company has classified certain non-recurring profit or loss items listed in the Interpretative Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit or Loss (Revised in 2023) as recurring profit or loss. The specific details are as follows:

Item	Amount in the current period	Amount in the previous period	Reasons
Revenue from withholding individual tax service fee	91,671.65		In compliance with national policies and continuously occurring

3. According to the nature and characteristics of its normal business operations, the Company has not identified any items not listed in the Interpretative Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit or Loss (Revised in 2023) as non-recurring profit or loss.

(II) Return on equity and earnings per share

Profit in the reporting period	**Weighted average Return on equity (%)**	**Earnings per share**		**Earnings per share in 2022**	
		Basic earnings per share	**Diluted earnings per share**	**Basic earnings per share**	**Diluted earnings per share**
Net profit attributable to the Company's ordinary shareholders (I)	6.49	0.16	0.16	0.35	0.35
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss (II)	4.00	0.10	0.10	0.08	0.08

Jiangsu Olive Sensors High-tech Corporation Limited
(Official seal)
April 8, 2024

(iii) The audited consolidated financial statements of the Target Group for the financial year ended 31 December 2024 prepared in accordance with the CASBE and audited by Beijing Dehao International Certified Public Accountants (Limited Liability Partnership)

Auditor's Report

DHSZ [2025] No. 00000829

To all shareholders of Jiangsu Olive Sensors High-tech Corporation Limited:

I. Opinion

We have audited the financial statements of Jiangsu Olive Sensors High-tech Corporation Limited (hereinafter referred to as "Olive"), including the consolidated and parent company's balance sheets as of December 31, 2024, the consolidated and parent company's income statements, consolidated and parent company's statements of cash flows, consolidated and parent company's statements of changes in shareholders' equity and related notes to the financial statements for the year then ended.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises and present fairly the consolidated and the parent company's financial position of Olive as of December 31, 2024 and the consolidated and the parent company's operating results and cash flows for the year then ended.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of this auditor's report. In accordance with the Code of Ethics for Certified Public Accountant of China, we are independent of Olive and have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key matters are matters we deem the most significant to the audit of financial statements based on our professional judgment. 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.

We have identified the following matters as key audit matters to be communicated in the auditor's report.

1. Revenue recognition

2. Recoverability of accounts receivable

(I) Revenue recognition

1. Descriptions of key audit matters

As stated in Note III (XXXIII) and Note V Note 41 to the financial statements, the operating revenue of Olive in 2024 was RMB1,669,566,400, mainly from the sales revenue of auto sensors and accessories, accessories for automotive fuel systems, auto interior trim parts, new energy parts and automotive thermal management system components. Since the operating revenue is significant and an important financial indicator of Olive, there may be a risk of material misstatement in the recognition and presentation of revenue. In view of the great impact of revenue recognition on the financial statements, we take revenue recognition as a key audit matter.

2. How our audit addressed the matter

Important audit procedures we have implemented for revenue recognition include:

(1) Understand and evaluate the design of the management's internal control related to revenue recognition, and conduct control tests;

(2) Perform analytical review procedures, including analyzing the annual and monthly revenue of major products, changes in major customers and sales prices, and changes in gross margin;

(3) Obtain the sales contracts, check the sales content, main contract terms and settlement method, compare the contract quantity and amount with the book-recorded quantity and revenue amount, and compare with the actual revenue recognition policy implemented by Olive;

(4) Check the documents in the transaction process, including receipt, delivery order, acceptance form, invoice notice, sales invoices, receipt and payment vouchers, etc., to determine whether the transaction is real; for goods to be exported, check whether the product name, quantity and amount in the export declaration form and the freight bill are consistent with those in the bookkeeping;

(5) Confirm the transactions and correspondences with major customers;

(6) Perform a cut-off test on the revenue transactions recorded before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate accounting period.

3. Audit conclusion

Based on the audit procedures performed, we believe that the relevant judgments of the management's revenue recognition of Olive are reasonable.

(II) Recoverability of accounts receivable

1. Descriptions of key audit matters

As described in Note III (XIV) and Note V Note 4 to the financial statements, as of December 31, 2024, the book value of accounts receivable of Olive was RMB1,002,374,900, accounting for 24.43% of the total assets, and the provision for bad debts of accounts receivable was RMB100,582,900.

The management shall conduct a single credit risk assessment for the accounts receivable with objective evidence of credit impairment, and confirm the expected credit loss individually. For accounts receivable other than accounts receivable with individual credit risk assessment, the management has implemented a portfolio impairment assessment based on the consideration of the aging analysis of such customer groups, the historical records of impairment losses and the forecast of future economic conditions.

Since the determination of the recoverability of accounts receivable requires the management to identify the impaired items and objective evidence, evaluate the expected future cash flows and determine their present value, which involves the management's use of significant accounting estimates and judgments, and the recoverability of accounts receivable is important to the financial statements, therefore, we identify the recoverability of accounts receivable as a key audit matter.

2. How our audit addressed the matter

Important audit procedures we have performed with respect to the recoverability of accounts receivable include:

(1) We have understood, evaluated and tested the design and operating effectiveness of the internal control related to the daily management of accounts receivable and the evaluation of recoverability. These internal controls include the evaluation of customer credit risk, the collection process of accounts receivable, the identification of events that trigger the impairment of accounts receivable and the estimate of the amount of provision for bad debts;

(2) We have reviewed the management's judgment and estimate in assessing the recoverability of accounts receivable, including the basis for determining the accounts receivable portfolio, the judgment of significant amount, the judgment of separate provision for bad debts, etc., and paid attention to whether the management fully identifies the impaired items;

(3) For accounts receivable with provision for bad debts made on the basis of aging portfolio, we have tested the accuracy of the aging and recalculate the provision for bad debts in accordance with the bad debt policy;

(4) With reference to the historical credit loss experience and in combination with the current situation and the judgment of the future economic situation, we have evaluated whether the expected credit loss rate adopted by the management is appropriate;

(5) We have performed the confirmation procedures for important accounts receivable;

(6) We have sampled and checked the post-period payment collection;

(7) We have evaluated the accounting treatment and disclosure of the provision for bad debts of accounts receivable by the management as of December 31, 2024.

Based on the audit procedures performed, we believe that the relevant judgments and estimates of the management of Olive on the recoverability of the accounts receivable are reasonable.

IV. Other Information

The management of Olive is responsible for other information. Other information includes information covered in the 2024 annual report, but excludes financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

The management of Olive is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to achieve a fair presentation, and designing, implementing and maintaining internal control necessary to ensure that the financial statements are free from material misstatements due to fraud or error.

In preparing the financial statements, the management of Olive is responsible for assessing the going-concern ability of Olive, disclosing matters related to going concern (if applicable) and applying the going concern basis unless the management plans to liquidate Olive or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Olive.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. 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. Understand the internal control related to the audit to design appropriate audit procedures.

3. Evaluate the appropriateness of accounting policies used 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. 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 Olive's going-concern ability. If we conclude that a material uncertainty exists, we are required to, in our auditor's 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 audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause Olive to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence on the financial information of the entity or business activities of Olive to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, 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 all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of this period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. BDO China Shu Lun Pan CPAs

Beijing Dehao International Certified Public Accountants (Limited Liability Partnership)	Certified Public Accountant of China: _________ Jiang Shan
Beijing, China	Certified Public Accountant of China: _________ Liu Yong

April 16, 2025

Consolidated Balance Sheet

December 31, 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Assets	*Note V*	**Ending balance**	**Beginning balance**
Current assets:			
Monetary funds	*Note 1*	274,418,460.50	95,167,203.55
Financial assets held for trading	*Note 2*	438,086,005.33	481,459,780.42
Derivative financial assets			
Notes receivable	*Note 3*	64,418,767.69	39,731,402.99
Accounts receivable	*Note 4*	1,002,374,934.17	470,651,943.47
Receivables financing	*Note 5*	475,568,241.52	51,507,094.34
Advances to suppliers	*Note 6*	27,564,550.53	25,277,693.98
Other receivables	*Note 7*	28,119,837.52	9,985,802.65
Inventories	*Note 8*	265,724,773.42	159,552,427.44
Contract assets	*Note 9*	718,389.05	
Assets held for sale			
Non-current assets maturing within one year	*Note 10*	33,082,583.33	
Other current assets	*Note 11*	420,323,474.28	685,620,632.66
Total current assets		3,030,400,017.34	2,018,953,981.50
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	*Note 12*	73,260,519.54	243,976,264.99
Investments in other equity instruments			
Other non-current financial assets	*Note 13*	39,760,015.45	39,644,275.49
Investment properties			
Fixed assets	*Note 14*	603,390,139.89	298,575,036.85
Construction in progress	*Note 15*	62,066,757.56	60,249,983.74
Productive biological assets			
Oil and gas assets			
Right-of-use assets	*Note 16*	23,656,906.94	20,407,966.07
Intangible assets	*Note 17*	96,333,241.77	34,831,344.95
Development expenses			
Goodwill	*Note 18*	27,256,394.78	60,265.73
Long-term deferred expenses	*Note 19*	1,834,049.14	38,294.06
Deferred tax assets	*Note 20*	42,244,463.74	23,041,327.23
Other non-current assets	*Note 21*	103,323,094.33	132,312,902.84
Total non-current assets		1,073,125,583.14	853,137,661.95
Total assets		4,103,525,600.48	2,872,091,643.45

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Consolidated Balance Sheet
December 31, 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Liabilities and shareholders' equity	*Note V*	**Ending balance**	**Beginning balance**
Current liabilities:			
Short-term borrowings	*Note 22*	313,860,318.94	283,424,820.46
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	*Note 23*	312,185,859.37	4,261,791.38
Accounts payable	*Note 24*	841,111,809.77	229,018,731.43
Advances from customers			
Contract liabilities	*Note 25*	4,132,405.01	2,417,550.26
Employee compensation payable	*Note 26*	27,886,392.65	14,783,990.74
Taxes and surcharges payable	*Note 27*	18,439,109.32	12,567,383.51
Other payables	*Note 28*	4,359,989.04	4,165,128.12
Liabilities held for sale			
Non-current liabilities maturing within one year	*Note 29*	8,612,253.15	65,767,128.87
Other current liabilities	*Note 30*	20,382,682.70	5,949,965.74
Total current liabilities		1,550,970,819.95	622,356,490.51
Non-current liabilities:			
Long-term borrowings	*Note 31*	31,000,000.00	74,800,000.00
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities	*Note 32*	15,723,421.75	13,930,679.05
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities	*Note 33*	10,304,438.78	1,327,269.56
Deferred income	*Note 34*	62,641,113.84	49,256,120.99
Deferred tax liabilities	*Note 20*	38,190,519.70	25,131,596.73
Other non-current liabilities			
Total non-current liabilities		157,859,494.07	164,445,666.33
Total liabilities		1,708,830,314.02	786,802,156.84

Liabilities and shareholders' equity	Note V	Ending balance	Beginning balance
Shareholders' equity:			
Share capital	Note 35	796,548,907.00	791,528,907.00
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserves	Note 36	186,456,182.99	168,195,280.72
Less: treasury shares			
Other comprehensive income	Note 37	-226,521.59	1,004,768.26
Special reserves	Note 38	1,888,852.35	
Surplus reserve	Note 39	119,289,888.78	107,622,044.57
Undistributed profits	Note 40	955,846,002.42	877,123,711.59
Total shareholders' equity of the parent company		2,059,803,311.95	1,945,474,712.14
Minority interests		334,891,974.51	139,814,774.47
Total shareholders' equity		2,394,695,286.46	2,085,289,486.61
Total liabilities and shareholders' equity		4,103,525,600.48	2,872,091,643.45

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Consolidated Income Statement
Year 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Item	Note V	Current period	Prior period
I. Total operating revenue	Note 41	1,669,566,369.68	1,121,467,411.07
Less: operating costs	Note 41	1,314,005,572.85	854,376,237.83
Taxes and surcharges	Note 42	7,072,875.60	5,591,886.58
Selling expenses	Note 43	11,011,538.12	5,972,749.97
G&A expenses	Note 44	112,134,669.78	87,240,676.68
R&D expenses	Note 45	60,639,994.68	45,601,749.06
Financial expenses	Note 46	11,063,179.32	3,697,410.07
Including: interest expenses		10,931,457.58	9,906,319.30
Interest income		2,245,597.21	1,816,779.32
Plus: other income	Note 47	20,882,711.80	13,383,500.76
Investment income (loss expressed with "-")	Note 48	67,453,545.84	66,268,529.84
Including: income from investment in associates and joint ventures		25,688,853.15	20,546,410.94
Gains from derecognition of financial assets measured at amortized costs		-1,140,917.60	-1,104,990.43
Net exposure hedging gains (loss expressed with "-")			
Gains from changes in fair value (loss expressed with "-")	Note 49	1,008,730.37	363,894.80
Losses from credit impairment (loss expressed with "-")	Note 50	-29,312,387.79	-10,330,468.70
Asset impairment losses (loss expressed with "-")	Note 51	-11,897,997.05	-4,237,102.03
Gains from disposal of assets (loss expressed with "-")	Note 52	370,224.11	110,401.11
II. Operating profit (loss expressed with "-")		202,143,366.61	184,545,456.66
Plus: non-operating revenue	Note 53	2,682,062.11	984,884.67
Less: non-operating expenses	Note 54	2,276,336.90	4,330,259.49
III. Total profit (total loss expressed with "-")		202,549,091.82	181,200,081.84
Less: income tax expenses	Note 55	18,719,576.68	16,762,056.18
IV. Net profit (net loss expressed with "-")		183,829,515.14	164,438,025.66
Including: net profit realized by the combined party to the business combinations under common control before the combination			
(I) Classified by operating sustainability			
Net profit from continued operation (net loss expressed with "-")		183,829,515.14	164,438,025.66
Net profit from discontinued operations (net loss expressed with "-")			
(II) Classified by ownership			
Net profit attributable to owners of the parent company (net loss expressed with "-")		137,881,869.46	123,870,454.90
Minority interest income (net loss expressed with "-")		45,947,645.68	40,567,570.76

Item	Note V	Current period	Prior period
V. Other comprehensive income, net of tax		-1,231,289.85	2,738,735.03
Other comprehensive income, net of tax, attributable to owners of the parent company		-1,231,289.85	2,738,735.03
(I) Other comprehensive income that cannot be reclassified into profit or loss later			
1. Net changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of investments in other equity instruments			
4. Changes in the fair value of the enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss		-1,231,289.85	2,738,735.03
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Reserve for cash flow hedges			
6. Differences arising from translation of foreign currency financial statements		-1,231,289.85	2,738,735.03
7. Investment income from a package disposal of subsidiary before loss of control			
8. Other assets converted into investment properties measured at fair value			
9. Others			
Other comprehensive income, net of tax, attributable to minority shareholders			
VI. Total comprehensive income		182,598,225.29	167,176,760.69
Total comprehensive income attributable to the owner of the parent company		136,650,579.61	126,609,189.93
Total comprehensive income attributable to minority shareholders		45,947,645.68	40,567,570.76
VII. Earnings per share:			
(I) Basic earnings per share		0.18	0.16
(II) Diluted earnings per share		0.17	0.16

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Consolidated Statement of Cash Flows

Year 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Item	*Note V*	Current period	Prior period
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,390,933,830.68	973,946,715.42
Refunds of taxes and surcharges		3,570,015.07	1,228,448.69
Cash received from other operating activities	*Note 56*	32,350,988.02	35,969,200.95
Subtotal of cash inflows from operating activities		1,426,854,833.77	1,011,144,365.06
Cash paid for purchase of goods or acceptance of services		946,278,656.00	713,914,991.70
Cash paid to and on behalf of employees		167,786,816.43	114,223,838.71
Cash paid for taxes and surcharges		60,339,123.30	99,077,107.04
Cash paid for other operating activities	*Note 56*	64,515,098.67	47,657,954.88
Subtotal of cash outflows from operating activities		1,238,919,694.40	974,873,892.33
Net cash flows from operating activities		187,935,139.37	36,270,472.73
II. Cash flows from investing activities:			
Cash received from disposal of investments	*Note 56*	692,832,441.83	1,127,000,000.00
Cash received from investment income		20,564,440.68	26,953,858.78
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		12,000.00	5,000.00
Net cash from disposal of subsidiaries and other business units			
Cash received from other investing activities	*Note 56*	608,380,053.47	543,042,120.07
Subtotal of cash inflows from investing activities		1,321,788,935.98	1,697,000,978.85
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		192,398,071.39	139,342,976.62
Cash paid for investments	*Note 56*	621,000,000.00	807,250,000.00
Net cash paid to acquire subsidiaries and other business units	*Note 57*	82,394,709.18	
Cash paid for other investing activities	*Note 56*	335,482,607.18	1,023,655,685.31
Subtotal of cash outflows from investing activities		1,231,275,387.75	1,970,248,661.93
Net cash flows from investing activities		90,513,548.23	-273,247,683.08

Item	Note V	Current period	Prior period
III. Cash flows from financing activities:			
Cash received from investors		14,809,000.00	
Including: cash received by subsidiaries from investments of minority shareholders			
Cash received from borrowings		376,000,000.00	577,000,000.00
Cash received from other financing activities	*Note 56*	28,223,859.04	37,391,900.49
Subtotal of cash inflows from financing activities		419,032,859.04	614,391,900.49
Cash paid for debt repayments		486,700,000.00	329,000,000.00
Cash paid for distribution of dividends and profits or payment of interests		85,290,602.58	119,315,280.96
Including: dividends and profit paid to minority shareholders by subsidiaries		27,662,169.00	15,238,401.06
Cash paid for other financing activities	*Note 56*	8,334,238.44	4,577,705.00
Sub-total of cash outflows from financing activities		580,324,841.02	452,892,985.96
Net cash flows from financing activities		-161,291,981.98	161,498,914.53
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-203,437.49	636,314.82
V. Net increase in cash and cash equivalents		116,953,268.13	-74,841,981.00
Plus: beginning balance of cash and cash equivalents		93,762,083.57	168,604,064.57
VI. Ending balance of cash and cash equivalents		210,715,351.70	93,762,083.57

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Consolidated Statement of Changes in Shareholders' Equity

Year 2024

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited (Amounts are expressed in RMB unless otherwise stated)

Item	Current period											
	Equity attributable to shareholders of the parent company											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Ending balance of last year	791,528,907.00				168,195,280.72		1,004,768.26		107,622,044.57	877,123,711.59	139,814,774.47	2,085,289,486.61
Plus: changes in accounting policies												
Correction of accounting errors in prior periods												
Business combination under common control												
Others												
II. Beginning balance of this year	791,528,907.00				168,195,280.72		1,004,768.26		107,622,044.57	877,123,711.59	139,814,774.47	2,085,289,486.61
III. Increases and decreases in this year	5,020,000.00				18,260,902.27		-1,231,289.85	1,888,852.35	11,667,844.21	78,722,290.83	195,077,200.04	309,405,799.85
(I) Total comprehensive income							-1,231,289.85			137,881,869.46	45,947,645.68	182,598,225.29
(II) Capital contributed or reduced by shareholders	5,020,000.00				21,485,358.34							26,505,358.34

Item	Current period											
	Equity attributable to shareholders of the parent company											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
1. Ordinary shares invested by shareholders												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payments included in owners' equity	5,020,000.00				21,485,358.34							26,505,358.34
4. Others												
(III) Profit distribution									11,667,844.21	-59,159,578.63	-26,799,756.91	-74,291,491.33
1. Withdrawal of surplus reserves									11,667,844.21	-11,667,844.21		
2. Profits distributed to shareholders										-47,491,734.42	-27,662,169.00	-75,153,903.42
3. Others											862,412.09	862,412.09
(IV) Internal carry-forward of shareholders' equity												
1. Conversion of capital reserves into paid-in capital												
2. Conversion of surplus reserves into paid-in capital												
3. Surplus reserve to cover losses												

Item	Current period											
	Equity attributable to shareholders of the parent company											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
4. Carry-forward of changes in defined benefit plans to retained earnings												
5. Carry-forward of other comprehensive income to retained earnings												
6. Others												
(V) Special reserves								-480,015.62			-300,497.58	-780,513.20
1. Withdrawal in the current period								572,339.23			358,293.66	930,632.89
2. Use in the current period								-1,052,354.85			-658,791.24	-1,711,146.09
(VI) Others					-3,224,456.07			2,368,867.97			176,229,808.85	175,374,220.75
IV. Ending balance of this year	796,548,907.00				186,456,182.99		-226,521.59	1,888,852.35	119,289,888.78	955,846,002.42	334,891,974.51	2,394,695,286.46

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Consolidated Statement of Changes in Shareholders' Equity

Year 2024

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited (Amounts are expressed in RMB unless otherwise stated)

Item	Prior period											
	Equity attributable to shareholders of the parent company											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Ending balance of last year	791,528,907.00				144,598,158.97		-1,733,966.77		98,597,764.28	857,167,495.22	114,489,761.09	2,004,648,119.79
Plus: changes in accounting policies									9,783.65	83,726.95	-4,156.32	89,354.28
Correction of accounting errors in prior periods												
Business combination under common control												
Others												
II. Beginning balance of this year	791,528,907.00				144,598,158.97		-1,733,966.77		98,607,547.93	857,251,222.17	114,485,604.77	2,004,737,474.07
III. Increases and decreases in this year					23,597,121.75		2,738,735.03		9,014,496.64	19,872,489.42	25,329,169.70	80,552,012.54
(I) Total comprehensive income							2,738,735.03			123,870,454.90	40,567,570.76	167,176,760.69
(II) Capital contributed or reduced by shareholders					23,035,077.77							23,035,077.77

Item	Prior period											
	Equity attributable to shareholders of the parent company											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
1. Ordinary shares invested by shareholders												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payments included in owners' equity					23,035,077.77							23,035,077.77
4. Others												
(III) Profit distribution									9,014,496.64	-103,997,965.48	-15,238,401.06	-110,221,869.90
1. Withdrawal of surplus reserves									9,014,496.64	-9,014,496.64		
2. Profits distributed to shareholders										-94,983,468.84	-15,238,401.06	-110,221,869.90
3. Others												
(IV) Internal carry-forward of shareholders' equity												
1. Conversion of capital reserves into paid-in capital												
2. Conversion of surplus reserves into paid-in capital												
3. Surplus reserve to cover losses												

Item	Prior period											
	Equity attributable to shareholders of the parent company											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
4. Carry-forward of changes in defined benefit plans to retained earnings												
5. Carry-forward of other comprehensive income to retained earnings												
6. Others												
(V) Special reserves												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others					562,043.98							562,043.98
IV. Ending balance of this year	791,528,907.00				168,195,280.72		1,004,768.26		107,622,044.57	877,123,711.59	139,814,774.47	2,085,289,486.61

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Parent Company's Balance Sheet
December 31, 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Assets	*Note XVI*	**Ending balance**	**Beginning balance**
Current assets:			
Monetary funds		86,740,226.28	53,126,956.36
Financial assets held for trading		432,086,005.33	481,459,780.42
Derivative financial assets			
Notes receivable		21,257,322.32	33,434,970.46
Accounts receivable	*Note 1*	452,264,031.69	382,219,408.86
Receivables financing		51,427,876.09	36,427,089.65
Advances to suppliers		22,694,572.34	21,193,845.60
Other receivables	*Note 2*	32,098,246.60	19,191,228.11
Inventories		157,667,143.16	117,955,216.27
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		393,207,962.08	685,338,282.97
Total current assets		1,649,443,385.89	1,830,346,778.70
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables		49,444,902.60	51,247,485.44
Long-term equity investments	*Note 3*	406,323,475.90	271,017,964.26
Investments in other equity instruments			
Other non-current financial assets		39,760,015.45	39,644,275.49
Investment properties			
Fixed assets		379,632,158.29	207,676,539.84
Construction in progress		56,103,643.20	60,249,983.74
Productive biological assets			
Oil and gas assets			
Right-of-use assets		4,293,192.08	19,166,027.78
Intangible assets		19,153,192.58	22,454,917.78
Development expenses			
Goodwill			
Long-term deferred expenses			13,030.48
Deferred tax assets		19,742,230.70	18,170,659.45
Other non-current assets		22,877,540.93	22,951,281.93
Total non-current assets		997,330,351.73	712,592,166.19
Total assets		2,646,773,737.62	2,542,938,944.89

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Parent Company's Balance Sheet
December 31, 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Liabilities and shareholders' equity	*Note XVI*	**Ending balance**	**Beginning balance**
Current liabilities:			
Short-term borrowings		283,851,846.50	280,624,820.46
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			4,261,791.38
Accounts payable		341,849,762.03	223,289,923.09
Advances from customers			
Contract liabilities		2,052,545.90	2,387,317.14
Employee compensation payable		13,318,431.10	12,042,825.26
Taxes and surcharges payable		4,905,879.98	3,421,004.67
Other payables		18,134,022.71	18,610,368.87
Liabilities held for sale			
Non-current liabilities maturing within one year		4,257,454.02	64,916,897.47
Other current liabilities		3,905,204.66	4,101,461.40
Total current liabilities		672,275,146.90	613,656,409.74
Non-current liabilities:			
Long-term borrowings		31,000,000.00	74,800,000.00
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities		1,370,895.26	13,708,643.05
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities		791,488.78	1,327,269.56
Deferred income		50,465,627.60	37,102,542.13
Deferred tax liabilities		15,829,295.38	22,432,818.74
Other non-current liabilities			
Total non-current liabilities		99,457,307.02	149,371,273.48
Total liabilities		771,732,453.92	763,027,683.22
Shareholders' equity:			
Share capital		796,548,907.00	791,528,907.00
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserves		189,118,595.08	168,195,280.72
Less: treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserve		119,289,888.78	107,622,044.57
Undistributed profits		770,083,892.84	712,565,029.38
Total shareholders' equity		1,875,041,283.70	1,779,911,261.67
Total liabilities and shareholders' equity		2,646,773,737.62	2,542,938,944.89

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Parent Company's Income Statement
Year 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Item	*Note XVI*	Current period	Prior period
I. Operating revenue	*Note 4*	937,571,659.01	827,199,643.11
Less: operating costs	*Note 4*	765,740,190.02	686,004,361.27
Taxes and surcharges		2,865,216.45	2,936,849.83
Selling expenses		5,120,433.15	4,581,500.22
G&A expenses		79,349,473.12	72,573,053.48
R&D expenses		31,342,061.52	31,443,155.87
Financial expenses		10,901,355.28	4,466,813.79
Including: interest expenses		10,479,747.74	9,758,012.89
Interest income		1,824,252.82	2,140,891.33
Plus: other income		13,828,553.76	11,436,811.43
Investment income (loss expressed with "-")	*Note 5*	85,097,945.86	75,482,540.20
Including: income from investment in associates and joint ventures		19,094,355.62	15,644,117.51
Gains from derecognition of financial assets measured at amortized costs		-761,249.58	-901,915.19
Net exposure hedging gains (loss expressed with "-")			
Gains from changes in fair value (loss expressed with "-")		-258,034.73	363,894.80
Losses from credit impairment (loss expressed with "-")		-12,638,724.98	-9,069,136.71
Asset impairment losses (loss expressed with "-")		-5,815,216.75	-3,648,806.52
Gains from disposal of assets (loss expressed with "-")		371,230.33	-561,243.75
II. Operating profit (loss expressed with "-")		122,838,682.96	99,197,968.10
Plus: non-operating revenue		1,192,592.84	404,392.54
Less: non-operating expenses		613,485.91	4,321,164.23
III. Total profit (total loss expressed with "-")		123,417,789.89	95,281,196.41
Less: income tax expenses		6,739,347.80	5,136,230.00
IV. Net profit (net loss expressed with "-")		116,678,442.09	90,144,966.41
(I) Net profit from continuing operations (net loss expressed with "-")		116,678,442.09	90,144,966.41

Item	*Note XVI*	Current period	Prior period
(II) Net profit from discontinued operations (net loss expressed with "-")			
V. Other comprehensive income, net of tax		-	-
(I) Other comprehensive income that cannot be reclassified into profit or loss later			
1. Net changes in re-measurement of the defined benefit plan		-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of investments in other equity instruments			
4. Changes in the fair value of the enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Reserve for cash flow hedges			
6. Differences arising from translation of foreign currency financial statements			
7. Investment income from a package disposal of subsidiary before loss of control			
8. Other assets converted into investment properties measured at fair value			
9. Others			
VI. Total comprehensive income		116,678,442.09	90,144,966.41
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Parent Company's Statement of Cash Flows
Year 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Item	*Note XVI*	Current period	Prior period
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		794,456,338.76	672,226,794.83
Refunds of taxes and surcharges		3,448,250.31	920,931.02
Cash received from other operating activities		28,399,270.24	42,068,507.68
Subtotal of cash inflows from operating activities		826,303,859.31	715,216,233.53
Cash paid for purchase of goods or acceptance of services		593,260,862.87	576,356,795.74
Cash paid to and on behalf of employees		108,639,177.60	88,061,383.91
Cash paid for taxes and surcharges		18,930,889.11	50,965,716.21
Cash paid for other operating activities		34,289,504.35	40,107,941.97
Subtotal of cash outflows from operating activities		755,120,433.93	755,491,837.83
Net cash flows from operating activities		71,183,425.38	-40,275,604.30
II. Cash flows from investing activities:			
Cash received from disposal of investments		596,000,000.00	1,127,000,000.00
Cash received from investment income		53,622,833.06	48,813,488.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash from disposal of subsidiaries and other business units			
Cash received from other investing activities		602,080,053.47	583,247,747.40
Subtotal of cash inflows from investing activities		1,251,702,886.53	1,759,061,235.46
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		184,166,851.50	136,088,039.52
Cash paid for investments		547,000,000.00	807,250,000.00
Net cash paid to acquire subsidiaries and other business units		116,638,200.00	1,000,000.00
Cash paid for other investing activities		304,196,222.18	988,371,753.80
Subtotal of cash outflows from investing activities		1,152,001,273.68	1,932,709,793.32
Net cash flows from investing activities		99,701,612.85	-173,648,557.86

Item	*Note XVI*	Current period	Prior period
III. Cash flows from financing activities:			
Cash received from investors		14,809,000.00	
Cash received from borrowings		376,000,000.00	577,000,000.00
Cash received from other financing activities		21,956,443.69	29,050,963.31
Subtotal of cash inflows from financing activities		412,765,443.69	606,050,963.31
Cash paid for debt repayments		486,700,000.00	329,000,000.00
Cash paid for distribution of dividends and profits or payment of interests		57,551,336.36	104,076,879.90
Cash paid for other financing activities		5,507,821.37	3,398,597.00
Sub-total of cash outflows from financing activities		549,759,157.73	436,475,476.90
Net cash flows from financing activities		-136,993,714.04	169,575,486.41
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-72,934.29	25,763.96
V. Net increase in cash and cash equivalents		33,818,389.90	-44,322,911.79
Plus: beginning balance of cash and cash equivalents		51,721,836.38	96,044,748.17
VI. Ending balance of cash and cash equivalents		85,540,226.28	51,721,836.38

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Chief Financial Officer: Chief Accountant:

Parent Company's Statement of Changes in Shareholders' Equity

Year 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Item	Current period										
		Other equity instruments									
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Ending balance of last year	791,528,907.00				168,195,280.72				107,622,044.57	712,565,029.38	1,779,911,261.67
Plus: changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Beginning balance of this year	791,528,907.00				168,195,280.72				107,622,044.57	712,565,029.38	1,779,911,261.67
III. Increases and decreases in this year	5,020,000.00				20,923,314.36				11,667,844.21	57,518,863.46	95,130,022.03
(I) Total comprehensive income										116,678,442.09	116,678,442.09
(II) Capital contributed or reduced by shareholders	5,020,000.00				21,485,358.34						26,505,358.34
1. Ordinary shares invested by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payments included in owners' equity	5,020,000.00				21,485,358.34						26,505,358.34
4. Others											
(III) Profit distribution									11,667,844.21	-59,159,578.63	-47,491,734.42

Item	Current period										
		Other equity instruments									
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
1. Withdrawal of surplus reserves									11,667,844.21	-11,667,844.21	
2. Profits distributed to shareholders										-47,491,734.42	-47,491,734.42
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Conversion of capital reserves into paid-in capital											
2. Conversion of surplus reserves into paid-in capital											
3. Surplus reserve to cover losses											
4. Carry-forward of changes in defined benefit plans to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Others											
(V) Special reserves											
1. Withdrawal in the current period											
2. Use in the current period											
(VI) Others					-562,043.98						-562,043.98
IV. Ending balance of this year	796,548,907.00				189,118,595.08				119,289,888.78	770,083,892.84	1,875,041,283.70

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Parent Company's Statement of Changes in Shareholders' Equity
Year 2024

(Amounts are expressed in RMB unless otherwise stated)

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

Item	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bond	Other equity instruments: Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
	Prior period										
I. Ending balance of last year	791,528,907.00				144,598,158.97				98,597,764.28	726,329,975.53	1,761,054,805.78
Plus: changes in accounting policies									9,783.65	88,052.92	97,836.57
Correction of accounting errors in prior periods											
Others											
II. Beginning balance of this year	791,528,907.00				144,598,158.97				98,607,547.93	726,418,028.45	1,761,152,642.35
III. Increases and decreases in this year					23,597,121.75				9,014,496.64	-13,852,999.07	18,758,619.32
(I) Total comprehensive income										90,144,966.41	90,144,966.41
(II) Capital contributed or reduced by shareholders					23,035,077.77						23,035,077.77
1. Ordinary shares invested by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payments included in owners' equity					23,035,077.77						23,035,077.77
4. Others											
(III) Profit distribution									9,014,496.64	-103,997,965.48	-94,983,468.84

Item	Prior period										
		Other equity instruments									
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
1. Withdrawal of surplus reserves									9,014,496.64	-9,014,496.64	
2. Profits distributed to shareholders										-94,983,468.84	-94,983,468.84
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Conversion of capital reserves into paid-in capital											
2. Conversion of surplus reserves into paid-in capital											
3. Surplus reserve to cover losses											
4. Carry-forward of changes in defined benefit plans to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Others											
(V) Special reserves											
1. Withdrawal in the current period											
2. Use in the current period											
(VI) Others					562,043.98						562,043.98
IV. Ending balance of this year	791,528,907.00				168,195,280.72				107,622,044.57	712,565,029.38	1,779,911,261.67

(Amounts are expressed in RMB unless otherwise stated)

Legal Representative: Chief Financial Officer: Chief Accountant:

Jiangsu Olive Sensors High-tech Corporation Limited
Notes to the Financial Statements
For the Year Ended December 31, 2024

I. BASIC INFORMATION OF THE COMPANY

(I) Registration place, organizational form and headquarters address of the Company

Jiangsu Olive Sensors High-tech Corporation Limited (hereinafter referred to as "the Company") is a joint stock limited company established by the overall change of its predecessor, Yangzhou Olive Sensor Co., Ltd. It was registered with Yangzhou Administration for Industry and Commerce on October 10, 2010 with a registered capital of RMB50 million. Upon the approval of the China Securities Regulatory Commission with the document (ZJXK [2016] No. 541), the Company issued 16.67 million shares of RMBordinary shares (A shares) to the public. The Company's shares were listed on the Shenzhen Stock Exchange on April 29, 2016. The Company currently holds a business license with the unified social credit code of 91321000608707880C.

On May 5, 2017, the Company's 2016 annual general meeting resolved to increase 8 shares for every 10 shares to all shareholders based on the total share capital of 66.67 million shares at the end of 2016. After the increase, the total number of shares of the Company was 120.006 million shares, and the share capital was changed to RMB120.006 million.

On April 18, 2018, the Company's 2017 annual general meeting resolved to grant 2,226,000 restricted shares of RMBordinary shares (A shares) to 141 incentive objects. After the grant, the total number of shares of the Company changed to 122,232,000 shares, and the share capital changed to RMB122,232,000; 110,000 reserved restricted shares of ordinary shares (A-shares) were granted to one incentive object. After the grant, the total number of shares of the Company was changed to 122,342,000 and the share capital was changed to RMB122,342,000.

On April 18, 2019, the Company's 2018 annual general meeting resolved to issue 8 additional shares for every 10 shares held to all shareholders based on the total share capital as of the end of 2018. After the increase, the total number of shares of the Company was 220,215,600 and the share capital was changed to RMB220,215,600.

On June 18, 2019, the Company's 3rd extraordinary general meeting in 2019 resolved to repurchase and cancel 37,800 shares from the original three incentive objects first granted under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 220.1778 million, and the share capital was changed to RMB220.1778 million.

On November 13, 2019, the Company's 4th extraordinary general meeting in 2019 resolved to repurchase and cancel 91,800 shares from the original four incentive objects first granted under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 220.086 million, and the share capital was changed to RMB220.086 million.

On May 19, 2020, the Company's 2019 annual general meeting resolved to issue 4 additional shares for every 10 shares held to all shareholders based on the total share capital of 220.086 million shares. After the increase, the total number of shares of the Company was 308.1204 million shares, and the share capital was changed to RMB308.1204 million.

On August 24, 2020, the Company's 2nd extraordinary general meeting in 2020 resolved to repurchase and cancel 1,850,688 shares granted to incentive objects of the first grant and reserved grant portions under the Company's 2018 Restricted Stock Incentive Plan. After the cancellation, the total number of shares of the Company was 306,269,712, and the share capital was changed to RMB306,269,712.

On May 20, 2021, the Company's 2020 annual general meeting resolved to issue 4 additional shares for every 10 shares held to all shareholders based on the total share capital of 306,269,712 shares. After the increase, the total number of shares of the Company was 428,777,596 shares, and the share capital was changed to RMB428,777,596.

On January 5, 2021, approved by the China Securities Regulatory Commission with the document (ZJXK [2021] No. 25), the Company issued 65,927,971 shares to specific targets. After the issuance of shares, the total number of shares of the Company was 494,705,567 shares, and the share capital was changed to RMB494,705,567.

On April 28, 2022, the Company's 2021 annual general meeting resolved to issue 6 additional shares for every 10 shares held to all shareholders based on the total share capital of 494,705,567 shares. After the increase, the total number of shares of the Company was 791,528,907 shares, and the share capital was changed to RMB791,528,907.

On September 23, 2024, the 14th meeting of the 5th Board of Directors of the Company reviewed and approved the Proposal on Fulfillment of Vesting Conditions for the First Vesting Period of Type II Restricted Shares for Initial Grant under the 2022 Restricted Stock Incentive Plan. According to the plan, the Company granted 5.02 million restricted RMBordinary shares (A-shares) to 45 incentive objects. After the grant, the total number of shares of the Company changed to 796,548,907 shares, and the share capital changed to RMB796,548,907.

After years of distribution of bonus shares, capital increase and new share issuance, as of December 31, 2024, the Company has issued a total of 796,548,907 shares, with a registered capital of RMB796,548,907. The registered address is No. 158, Xiangyuan Road, Yangzhou High-tech Industrial Development Zone, Jiangsu Province, and the headquarters address is No. 158, Xiangyuan Road, Yangzhou High-tech Industrial Development Zone, Jiangsu Province. The actual controller is a natural person: Li Hongqing.

(II) Nature of business and main operating activities of the Company

The Company is engaged in the auto parts and components manufacturing industry, and its main products and services include auto sensors and accessories, accessories for automotive fuel systems, auto interior trim parts, new energy parts and auto thermal management system parts, etc.

(III) Scope of consolidated financial statements

A total of 11 subsidiaries were included in the consolidation scope in the current period, see Note VIII Equity in other entities for details. Compared with the previous period, the number of entities included in the scope of consolidated financial statements in the current period increased by 2. For the specific information of the entities with changes in the consolidation scope, please refer to Note VII. Changes in consolidation scope.

(IV) Approval and issuance of financial statements

The financial statements were approved by the Board of Directors of the Company for disclosure on April 16, 2025.

II. PREPARATION BASIS OF FINANCIAL STATEMENTS

(I) Preparation basis of financial statements

The Company recognizes and measures the actual transactions and events in accordance with the Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance and specific Accounting Standards for Business Enterprises, Accounting Standards for Business Enterprises- Application Guidelines, Accounting Standards for Business Enterprises- Interpretations and other relevant provisions (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), and prepares the financial statements on this basis in combination with the provisions of the China Securities Regulatory Commission's Rules for the Compilation and Reporting of Information Disclosure by Companies Issuing Securities to the Public No. 15 – General Provisions on Financial Reports (Revised in 2023).

(II) Going concern

The Company has evaluated the going-concern ability for 12 months from the end of the reporting period, and no matters or circumstances that cast significant doubt on the going-concern ability have been found. Therefore, the financial statements are prepared on a going concern basis.

(III) Accounting basis and valuation principles

The accounting of the Company is based on the accrual basis. Except for certain financial instruments measured at fair value, the financial statements are based on historical cost. In the event of any asset impairment, a provision for impairment will be made in accordance with relevant provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Notes on specific accounting policies and accounting estimate

The Company determines specific accounting policies and accounting estimates according to the characteristics of production and operation, mainly reflected in the valuation method of inventories (Note XVII), the method of provision for bad debts of accounts receivable (Note XII (6)), depreciation of fixed assets and amortization of intangible assets (Note XX and XXIV), the recognition time of revenue (Note XXXIII), etc.

(II) Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, cash flows and other relevant information during the reporting period.

(III) Accounting period

The fiscal year is from January 1 to December 31 of each calendar year.

(IV) Operating cycle

Operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as an operating cycle and uses it as the liquidity classification criteria for assets and liabilities.

(V) Recording currency

The Company and its domestic subsidiaries use RMB as the recording currency. The recording currency of the Company's overseas subsidiaries is the currency in the main economic environment in which it operates. The currency used by the Company in preparing these financial statements is RMB.

(VI) Significance criteria determination method and selection basis

The Company, in light of its actual situation, has chosen to centrally disclose the significance criteria involved in the notes according to certain classification standards herein.

Item	Significance criteria
Receivables for significant single provision for bad debts	RMB5 million
Significant amount recovered or reversed for provision for bad debts	RMB5 million
Write-off of significant accounts receivable	RMB5 million
Significant construction in progress	The budget of a single project is more than RMB20 million
Significant changes in the book value of contract assets	The amount of changes in the book value of contract assets accounts for more than 30% of the balance of contract assets at the beginning of the period and the amount is greater than RMB5 million
Significant contract liabilities with aging of more than 1 year	The contract liabilities with aging of more than 1 year account for more than 10% of the total contract liabilities and the amount is greater than RMB5 million
Significant changes in the book value of contract liabilities	The amount of changes in the book value of contract liabilities accounts for more than 30% of the balance of contract liabilities at the beginning of the period and the amount is greater than RMB5 million
Significant accounts payable and other payables	Accounts payable/other payables with the aging of more than 1 year account for more than 10% of the total accounts payable/other payables and the amount is greater than RMB5 million

Item	Significance criteria
Significant non-wholly-owned subsidiaries	The net assets of the subsidiary account for more than 5% of the net assets of the consolidated statements, or the minority interests of a single subsidiary account for more than 1% of the net assets of the consolidated statements and the amount is greater than RMB50 million
Significant investing activities	A single investing activity accounts for more than 10% of the total cash inflows or outflows related to the receipt or payment of investing activities and the amount is greater than RMB50 million
Significant joint ventures or associates	The book value of the long-term equity investment of a single investee accounts for more than 5% of the net assets in the consolidated statements and the amount is greater than RMB50 million, or the investment profit or loss under the equity method of the long-term equity investment accounts for more than 10% of the net profit in the consolidated statements
Significant subsidiary	The net assets of the subsidiary account for more than 5% of the net assets of the consolidated statements, or the net profit of the subsidiary accounts for more than 10% of the consolidated net profit of the consolidated statements
Significant activities not involving current cash receipts and payments	Activities that do not involve current cash receipts and payments, have an impact on the current statement greater than 10% of net assets, or are expected to have an impact on future cash flows greater than 10% of the total cash inflows or outflows

(VII) Accounting treatment method of business combinations under common control and not under common control

1. If the terms, conditions and economic impact of the transactions in the process of realizing the business combination step by step meet one or more of the following conditions, multiple transactions will be accounted for as a package of transactions

(1) These transactions are concluded at the same time or under the consideration of mutual effect;

(2) Only these transactions as a whole can reach a complete commercial result;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction; and

(4) A single transaction is uneconomical but it is economical when considered together with other transactions.

2. Business combinations under common control

The assets and liabilities acquired by the Company in the business combination shall be measured at the book value of the assets and liabilities of the combined party (including the goodwill formed by the acquisition of the combined party by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The difference between the book value of net assets acquired from the combination and the book value of the consideration paid for the combination (or the total nominal value of shares issued) shall be adjusted to the capital stock premium in the capital reserves, and the retained earnings shall be adjusted if the capital stock premium in the capital reserves is insufficient to be offset.

If there is contingent consideration and the estimated liabilities or assets need to be recognized, the capital reserve (capital premium or equity premium) shall be adjusted according to the difference between the amount of the estimated liabilities or assets and the settlement amount of the subsequent contingent consideration. If the capital reserve is insufficient, the retained earning shall be adjusted.

If the business combination is finally realized through multiple transactions, which belong to a package of transactions, each transaction shall be accounted for as a transaction to obtain the right of control; if it does not belong to a package of transactions, the capital reserve shall be adjusted at the difference between the initial investment cost of the long-term equity investments on the date of obtaining right of control and the sum of the book value of the long-term equity investments before the combination and the book value of the newly paid consideration for the further acquisition of shares on the combination date; if capital reserve is insufficient for offset, retained earnings shall be adjusted. For equity investments held before the combination date, other comprehensive income recognized due to the adoption of accounting by equity method or recognition and measurement standards of financial instruments shall not be accounted for temporarily, and shall be accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the investment is disposed of; other changes in owners' equity in the net assets of the investee recognized due to the adoption of accounting by equity method, except for net profit or loss, other comprehensive income and profit distribution, shall not be accounted for temporarily until they are transferred to the current profit or loss when the investment is disposed of.

3. Business combinations not under common control

The acquisition date refers to the date when the Company actually obtains the right of control over the acquiree, that is, the date when the right of control over the net assets or production and operation decisions of the acquiree is transferred to the Company. The Company generally considers that the right of control has been transferred when the following conditions are met at the same time:

① The business combination contract or agreement has been approved by the internal authority of the Company.

② For the business combination matters subject to the approval by the relevant competent departments of the state, the approval has been obtained.

③ The necessary procedures for the transfer of property rights have been handled.

④ The Company has paid most of the merger price and has the ability and plan to pay the remaining amount.

⑤ The Company has actually controlled the financial and operating policies of the acquiree, and enjoys corresponding benefits and assumes corresponding risks.

On the acquisition date, the Company measures the assets surrendered and liabilities incurred or assumed as the consideration for business combination at fair value, and the difference between the fair value and its book value is included in the current profit or loss.

The Company recognizes the difference between the combination cost and the share of fair value of identifiable net assets of the acquiree obtained in the combination as the goodwill; the difference between the combination cost and the share of fair value of identifiable net assets of the acquiree obtained in the combination shall be included in the current profit or loss after review.

If the business combination not under common control realized step by step through multiple exchange transactions belongs to a package of transactions, each transaction shall be accounted for as a transaction to obtain the right of control; if it does not belong to a package of transactions and the equity investments held before the combination date are accounted for by equity method, the sum of the book value of the acquiree's equity investments held before the acquisition date and the new investment cost on the acquisition date shall be taken as the initial investment cost of the investments; for other comprehensive income recognized by accounting by equity method for equity investments held before the acquisition date, accounting treatment shall be made on the same basis as the investee directly disposes of the relevant assets or liabilities when disposing of the investment. If the equity investments held before the combination date are accounted for by the recognition and measurement standards of financial instruments, the sum of the fair value of the equity investments on the combination date plus the new investment cost shall be taken as the initial investment cost on the combination date. The difference between the fair value and the book value of the equity originally held and the accumulated changes in fair value originally included in the other comprehensive income shall be transferred to the investment income of the current period on the combination date.

4. Relevant expenses incurred for the combination

Intermediary fees such as audit, legal services, evaluation and consulting fees and other directly related expenses incurred for business combination shall be included in the current profit or loss when incurred; transaction costs for the issuance of equity securities for business combination that are directly attributable to equity transactions are deducted from equity.

(VIII) Judgment criteria of control and preparation method of consolidated financial statements

1. Judgment criteria for control

The scope of consolidation of the consolidated financial statements is determined on the basis of control. Control means that the Company has the power over the investee, enjoys variable return by participating in the investee's relevant activities, and has the ability to use the power over the investee to affect its return amount. The Company will reassess when changes in relevant facts and circumstances result in changes to the relevant elements involved in the definition of control.

When determining whether to include a structured entity in the consolidation scope, the Company evaluates whether it controls the structured entity by assessing all facts and circumstances, including evaluating the purpose and design of the structured entity, identifying the type of variable return, and whether to bear part or all of the return variability by participating in its related activities.

2. Consolidation scope

The consolidation scope of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including individual entity controlled by the Company) are included in the consolidated financial statements.

3. Consolidation procedure

The Company prepares the consolidated financial statements based on the financial statements of the Company and all subsidiaries with reference to other relevant materials. In preparing the consolidated financial statements, the Company treats the whole enterprise group as an accounting entity to reflect the overall financial position, operating results and cash flows of the enterprise group in accordance with the recognition, measurement and presentation requirements of the relevant Accounting Standards for Business Enterprises and in accordance with the unified accounting policies.

The accounting policies and accounting period adopted by all subsidiaries included in the scope of the consolidated financial statements shall be consistent with those of the Company; if not inconsistent with those of the Company, necessary adjustments shall be made according to the accounting policies and accounting period of the Company at preparation.

When consolidating financial statements, the impact of internal transactions between the Company and subsidiaries and between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity shall be offset. If the recognition of the same transaction from the perspective of the consolidated financial statements of the enterprise group is different from that of the Company or the subsidiary as the accounting subject, the transaction shall be adjusted from the perspective of the enterprise group.

The owner's equity, current net profit or loss and share attributable to minority shareholders in current comprehensive income of subsidiaries shall be separately presented under the owner's equity in the consolidated balance sheet, net profit and total comprehensive income in the consolidated income statement. The balance resulting from the excess of the minority shareholders' share of the current loss of a subsidiary over the minority's share of the subsidiary's owners' equity at the beginning of the period is eliminated to reduce the minority equity.

For subsidiaries acquired from business combination under the same control, adjustments shall be made to the financial statements based on the book value of its assets and liabilities (including the goodwill formed by the acquisition of the subsidiary by the ultimate controller) in the financial statements of the ultimate controller.

For subsidiaries acquired from business combinations not under common control, the financial statements will be adjusted on the basis of the fair value of identifiable net assets on the acquisition date.

(1) Increase in subsidiaries or business

During the reporting period, if there is a new subsidiary or business due to the business combination under the same control, the beginning amount of consolidated balance sheet shall be adjusted; the revenues, expenses and profits from the beginning of the consolidation period to the end of the reporting period of the subsidiary or business shall be included in the consolidated income statement; the cash flow of subsidiaries or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated statement of cash flows, and the relevant items of the comparative statements shall be adjusted as if the consolidated reporting entity has always existed since the time point when the ultimate controller begins to control it.

Where the Company can exercise control over the investee under common control due to additional investment or other reasons, adjustments shall be made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. For equity investments held prior to the acquisition of control of the combinee, the related gains or losses, other comprehensive income and other changes in net assets recognized between the later of the date of acquisition of the original equity interest and the date on which the combining party and the combinee are under the same control and the combination date are eliminated against retained earnings at the beginning of the comparative statement period or against current profit or loss, respectively.

During the reporting period, if there is a new subsidiary or business due to business combination not under the same control, the beginning amount of the consolidated balance sheet will not be adjusted. The revenues, expenses and profits of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flow of the subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

Where the Company can exercise control over the investee not under the same control due to additional investment or other reasons, the Company shall re-measure the equity of the acquiree held before the acquisition date at the fair value of the equity on the acquisition date, and the difference between the fair value and the book value shall be included in the current investment income. If the equity of the acquiree held before the acquisition date involves the other comprehensive income under the accounting by equity method and changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owners' equity shall be transferred to the investment income of the period to which the acquisition date belongs, except for other comprehensive income arising from the investee's re-measurement of changes in net liabilities or net assets under defined benefit plans.

(2) Disposal of subsidiary or business

1) General method of disposal

During the reporting period, if the Company disposes of subsidiaries or business, the revenues, expenses and profits of such subsidiaries or business shall be included in the consolidated income statement from the beginning of the period to the disposal date. The cash flow from the beginning period of the subsidiaries or business to the disposal date shall be included in the consolidated statement of cash flows.

When the Company loses the right of control over the investee due to disposal of part of the equity investments or other reasons, the remaining equity investments after disposal will be re-measured by the Company at their fair value on the date of loss of control. The difference between the sum of the consideration obtained from disposal of equities and the fair value of the remaining equities, less the sum of the share of net assets and goodwill of the original subsidiaries calculated continuously from the acquisition date or combination date according to the original shareholding ratio, shall be included in the investment income at the period of loss of control. Other comprehensive incomes related to the original equity investments in subsidiaries or changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution are transferred to the current investment income at loss of control, except for other comprehensive income arising from the investee's re-measurement of changes in net liabilities or net assets under defined benefit plans.

2) Dispose of subsidiary step by step

Where the equity investments in subsidiaries are disposed of step by step through multiple transactions until the loss of control, and the terms, conditions and economic impact of the disposal on various transactions of the equity investments in subsidiaries meet one or more of the following circumstances, it generally indicates that multiple transactions shall be taken as a package of transactions for accounting treatment:

A. These transactions are concluded simultaneously or with consideration of mutual effects;

B. Only these transactions as a whole can reach a complete commercial result;

C. The occurrence of one transaction depends on the occurrence of at least one other transaction;

D. A transaction is uneconomical on its own, but it is economical when considered with other transactions.

If the disposal of equity investments in subsidiaries until the loss of control belongs to a package of transactions, the company will treat each transaction as a disposal of subsidiaries and the loss of control transaction for accounting treatment; however, before loss of control, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the disposal investment is recognized as other comprehensive income in consolidated financial statements, and is transferred into the current profit or loss on the loss of control.

Where the disposal of various transactions from the equity investments in subsidiaries until the loss of control are not a package of transactions, before the loss of control, accounting treatment shall be carried out according to the relevant policies on partial disposal of equity investments of subsidiaries without loss of control; when loss of control, the accounting treatment shall be carried out in accordance with the general treatment of the disposal of subsidiaries.

(3) Purchase of minority interests in subsidiaries

The equity premium in the capital reserves in the consolidated balance sheet shall be adjusted at the difference between the long-term equity investments acquired by the Company for the purchase of minority interests and the share of net assets of the subsidiaries calculated continuously from the acquisition date (or combination date) according to the newly increased shareholding ratio; if the equity premium in the capital reserves is insufficient to be offset, the retained earnings shall be adjusted.

(4) Partial disposal of equity investments to the subsidiaries without loss of control

The equity premium in the capital reserves in the consolidated balance sheet will be adjusted at the difference between the disposal price obtained from partial disposal of long-term equity investments to the subsidiaries without loss of control and the share of net assets of the subsidiaries calculated continuously from the acquisition date or combination date corresponding to the disposal of the long-term equity investments; if the equity premium in the capital reserve is insufficient to be offset, the retained earnings will be adjusted.

(IX) Classification of joint venture arrangements and accounting treatment methods of joint operation

1. Classification of joint venture arrangements

The Company classifies joint venture arrangements into joint operations and joint ventures based on the structure and legal form of the joint venture arrangements, the terms agreed in the joint venture arrangements, other relevant facts and circumstances.

Joint venture arrangements that have not been reached through separate entities are classified as joint operations; joint venture arrangements reached through separate entities are usually classified as joint venture; however, joint venture arrangements that have conclusive evidence to show that they meet any of the following conditions and comply with relevant laws and regulations shall be classified as joint operations:

(1) The legal form of the joint venture arrangement indicates that the joint venturers respectively enjoy rights and assume obligations for the relevant assets and liabilities in the arrangement.

(2) The contract terms of the joint venture arrangements stipulate that the joint venturers respectively enjoy rights and assume obligations for the relevant assets and liabilities in the arrangement.

(3) Other relevant facts and circumstances indicate that the joint venturers respectively enjoy rights and assume obligations for the relevant assets and liabilities in the arrangement. For instance, the joint venturers are entitled to substantially all outputs of the joint arrangement, and the settlement of liabilities under the arrangement is consistently dependent on support from the joint venturers.

2. Accounting treatment methods of joint operation

The Company recognizes the following items related to the Company in the share of interests in joint operations and carries out accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises:

(1) Recognize the assets held separately, and recognize the assets jointly held according to its share;

(2) Recognize the liabilities it solely assumes, and recognize the liabilities it jointly assumes according to its share;

(3) Recognize the revenue arising from the sale of its share of joint operations output;

(4) Recognize the revenue arising from the sale of output from joint operations according to its share;

(5) Recognize the expenses incurred separately and the expenses incurred by the joint operations according to its share.

When the Company invests or sells assets to the joint operations (except for assets constituting a business), only the part of the profit or loss attributable to other participants of the joint operations is recognized before the assets are sold by the joint operations to a third party. If the assets transferred or sold incur asset impairment loss in accordance with the Accounting Standards for Business Enterprises No. 8 – Asset Impairment, the Company shall recognize the loss in full.

When the Company purchases assets from joint operations (except for assets that constitute a business), it only recognizes the portion of the profit or loss attributable to other participants in the joint operations before selling the assets to a third party. If the purchased assets incur asset impairment loss in accordance with the Accounting Standards for Business Enterprises No. 8 – Asset Impairment, the Company shall recognize the loss according to the share assumed.

The Company does not enjoy common control over the joint operations. If the Company enjoys the assets and assumes the liabilities related to the joint operations, the accounting treatment shall still be carried out according to the above principles. Otherwise, the accounting treatment shall be carried out in accordance with the relevant Accounting Standards for Business Enterprises.

(X) Criteria for determining cash and cash equivalents

For the purpose of preparing the statement of cash flows, the cash on hand and the deposits that can be readily available for payment of the Company are recognized as cash. Cash equivalents refer to short-term (generally maturing within three months from the acquisition date) 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.

(XI) Foreign currency transactions and translation of foreign currency statements

1. Foreign currency transactions

At the initial recognition of foreign currency transactions, the spot exchange rate on the date of transaction is used as the conversion exchange rate to convert it into RMB for bookkeeping.

On the balance sheet date, the foreign currency monetary item shall be converted according to the spot exchange rate on the balance sheet date, and the exchange difference arising therefrom shall be included in the current profit or loss, except that the exchange difference arising from the special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization shall be treated according to the principle of capitalization of borrowing costs. Foreign currency non-monetary items measured at historical cost shall still be translated at the spot exchange rate on the date when the transaction occurs, and the amount in recording currency shall remain unchanged.

Foreign currency non-monetary items measured at fair value shall be translated into RMB at the spot exchange rates on the day when the fair value is determined. The difference between the recording currency and previous recording currency after translation is taken as fair value changes (including fluctuation in exchange rate) and included in current profit or loss or recognized as other comprehensive income.

2. Conversion of foreign currency financial statements

The assets and liabilities items in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. And the owners' equity shall be converted at the spot exchange rate when the transactions occur except for the "undistributed profits". The revenue and expense items in the income statement are translated at the average exchange rate for the current period. The difference arising from the translation of foreign-currency financial statements arising from the above translation shall be included in other comprehensive income.

When disposing of overseas operation, the difference arising from the translation of foreign-currency financial statements listed in other comprehensive income items in the balance sheet and related to the overseas operation shall be transferred from other comprehensive income items to the current profit or loss on disposal; when the proportion of the overseas operation interests held decreases due to the partial disposal of equity investments or for other reasons, without the loss of control over the overseas operation, the translation differences of foreign currency statements related to the disposal of the overseas operation shall be attributable to minority interests and shall not be transferred to the current profit or loss. Where the Company disposes of part of the equity of an overseas operation as associates or joint ventures, the translation differences of foreign currency statements related to the overseas operation shall be transferred to the current profit or loss at the proportion of disposal of the overseas operation.

(XII) Financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

Effective interest method refers to the method of calculating the amortized costs of financial assets or financial liabilities and allocating interest income or interest expenses to each accounting period.

Effective interest rate refers to the interest rate used to discount the estimated future cash flows of a financial asset or financial liabilities during its expected duration to the book balance of the financial assets or the amortized costs of the financial liabilities. In determining the effective interest rate, the estimated cash flows are based on consideration of all contract terms of the financial assets or financial liabilities (e.g. prepayment, extension, call option or other similar options) but not expected credit loss.

The amortized costs of a financial asset or financial liability is the initial recognition amount of the financial asset or financial liability less the principal repaid, plus or minus the accumulated amortization formed by using the effective interest method to amortize the difference between the initial recognition amount and the amount at maturity, and then less the accumulated loss provision (only applicable to financial assets).

1. Classification, recognition and measurement of financial assets

The Company classifies financial assets into the following three categories based on the business model of the financial assets under management and the contractual cash flows characteristics of the financial assets:

(1) Financial assets measured by amortized costs.

(2) Financial assets measured at fair value through other comprehensive income.

(3) Financial assets measured at fair value through the current profit or loss.

Financial assets are measured at fair value at initial recognition, but if accounts receivable or notes receivable arising from the sale of goods or the provision of services do not contain a significant financing component or do not take into account a financing component of less than one year, they are initially measured at transaction prices.

For financial assets measured at fair value through the current profit or loss, the relevant transaction costs are directly included in the current profit or loss, and the relevant transaction costs of other types of financial assets are included in their initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified only when and if the Company changes the business model of managing financial assets.

(1) Financial assets classified as those measured at amortized costs

The contract terms of the financial assets provide that the cash flows generated on a specific date are only the payment of the principal and interest based on the outstanding principal amount, and the business model for managing the financial assets is aimed at collecting contractual cash flows, then the Company classifies the financial assets as financial assets measured at amortized costs. Financial assets classified by the Company as those measured at amortized costs include monetary funds, certain notes receivable measured at amortized costs, accounts receivable, other receivables, debt investments, long-term receivables, etc.

The Company recognizes interest income of such financial assets by effective interest method, and subsequently measures them at amortized costs. Gains or losses arising from impairment or derecognition or modification are included in the current profit or loss. Except for the following circumstances, the Company determines the interest income based on the book balance of the financial assets multiplied by the effective interest rate:

1) For purchased or originated financial assets with credit impairment, the Company shall, from the initial recognition, calculate and determine the interest income according to the amortized costs and credit-adjusted effective interest rate of the financial assets.

2) For purchased or originated financial assets that have not experienced credit impairment but become credit impairment in subsequent periods, the Company shall calculate and determine their interest income in subsequent periods according to the amortized costs and effective interest rate of the financial assets. If the financial instruments no longer have credit impairment due to the improvement of its credit risk in subsequent periods, the Company shall calculate and determine the interest income by multiplying the effective interest rate by the book balance of the financial assets.

(2) Financial assets classified as measured at fair value through other comprehensive income

If the contract terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount, and the business model of managing the financial assets aims at both collecting contractual cash flows and selling the financial assets, the Company classifies the financial assets as the financial assets measured at fair value through other comprehensive income.

The Company recognizes interest income on such financial assets using the effective interest method. Except for interest income, impairment losses and exchange differences recognized as current profit or loss, other changes in fair value are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in the current profit or loss.

Notes receivable and accounts receivable measured at fair value through other comprehensive income are presented as receivables financing, and other such financial assets are presented as other debt investments, of which: other debt investments maturing within one year from the balance sheet date are presented as non-current assets maturing within one year, and other debt investments with original maturity date within one year are presented as other current assets.

(3) Financial assets designated to be measured at fair value through other comprehensive income

At the time of initial recognition, the Company may irrevocably designate non-trading equity instruments investments as financial assets measured at fair value through other comprehensive income on an individual financial asset basis.

Changes in the fair value of such financial assets are included in other comprehensive income without provision for impairment. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings. During the period when the Company holds the investments in equity instruments, when the Company's right to receive dividends has been established, the economic benefits related to the dividends are likely to flow into the Company, and the amount of the dividends can be measured reliably, the dividend revenue is recognized and included in the current profit or loss. The Company lists such financial assets in the investments in other equity instruments.

If the investments in equity instruments meets one of the following conditions, they belong to the financial assets measured at fair value through the current profit or loss: the purpose of obtaining the financial assets is mainly for sale in the near future; it is part of the portfolio of identifiable financial assets instruments under centralized management at the time of initial recognition, and there is objective evidence that a short-term profit model actually exists in the near future; they belong to derivative instruments (except for derivative instruments that meet the definition of financial guarantee contract and are designated as effective hedging instruments).

(4) Financial assets classified as measured at fair value through current profit or loss

Financial assets that do not meet the conditions for classification as amortized costs measured or measured at fair value through other comprehensive income are included in other comprehensive income, and are not designated as financial assets measured at fair value through other comprehensive income, are classified as financial assets measured at fair value through the current profit or loss.

The Company adopts fair value for subsequent measurement of such financial assets, and includes the gains or losses arising from changes in fair value and the dividends and interest income related to such financial assets into the current profit or loss.

The Company presents such financial assets in the items of financial assets held for trading and other non-current financial assets according to their liquidity.

(5) Financial assets designated to be measured at fair value through current profit or loss

At the time of initial recognition, in order to eliminate or significantly reduce the accounting mismatch, the Company may irrevocably designate the financial assets as the financial assets measured at fair value through the current profit or loss on an individual financial asset basis.

If a mixed contract contains one or more embedded derivative instruments and its master contract does not belong to the above financial assets, the Company may designate it as a financial instrument measured at fair value through the current profit or loss. However, the following conditions are excluded:

1) Embedded derivative instrument does not significantly change the cash flow of the mixed contract.

2) When initially determining whether similar mixed contracts need to be split, it is almost clear that the embedded derivative instruments contained therein should not be split without analysis. For example, the embedded prepayment right allows the holder to prepay the loan in an amount close to the amortized costs. The prepayment right does not need to be split.

The Company adopts fair value for subsequent measurement of such financial assets, and includes the gains or losses arising from changes in fair value and the dividends and interest income related to such financial assets into the current profit or loss.

The Company presents such financial assets in the items of financial assets held for trading and other non-current financial assets according to their liquidity.

2. Classification, recognition and measurement of financial liabilities

The Company classifies the financial instrument or its components as financial liabilities or equity instruments at initial recognition based on the contract terms of the financial instruments issued and the economic substance reflected therein, rather than solely in legal form, in combination with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as: financial liabilities measured at fair value through the current profit or loss, other financial liabilities, and derivative instruments designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value through the current profit or loss, the relevant transaction costs are directly included in the current profit or loss; for other types of financial liabilities, the relevant transaction costs are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured by fair value through the current profit or loss

Such financial liabilities include financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and financial liabilities designated to be measured at fair value through the current profit or loss at initial recognition.

Financial liabilities held for trading are those that meet one of the following conditions: the purpose of assuming the relevant financial liabilities is mainly to sell or repurchase in the near future; they belong to the part of the portfolio of identifiable financial instruments under centralized management, and there is objective evidence that the enterprise has recently adopted a short-term profit model; they belong to derivative instrument, except for derivative instrument designated as effective hedging instrument and derivative instrument in compliance with financial guarantee contract. Financial liabilities held for trading (including derivative instruments belonging to financial liabilities) shall be subsequently measured at fair value. Except for those related to hedge accounting, changes in fair value shall be included in the current profit or loss.

At the time of initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates the financial liabilities meeting one of the following conditions as the financial liabilities measured at fair value through the current profit or loss:

1) Eliminate or significantly reduce accounting mismatch.

2) According to the enterprise risk management or investment strategies stated in formal written documents, the Company manages and evaluates the performance of the financial liabilities portfolio or the portfolio of financial assets and financial liabilities on the basis of the fair value, and reports to the key officers within the enterprise on this basis.

The Company adopts fair value for subsequent measurement of such financial liabilities. Except for the changes in fair value caused by the Company's own changes in credit risk, which are included in other comprehensive income, other changes in fair value are included in the current profit or loss. Unless the inclusion of fair value changes caused by the Company's own credit risk changes in other comprehensive income would cause or enlarge the accounting mismatch in the profit or loss, the Company will include all fair value changes (including the amount affected by its own credit risk changes) in the current profit or loss.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized costs. For such financial liabilities, the effective interest method is adopted, and subsequent measurement is carried out according to the amortized costs. Gains or losses arising from derecognition or amortization are included in the current profit or loss:

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

2) The transfer of financial assets does not meet the conditions for derecognition or continues to be involved in the financial liabilities formed by the transferred financial assets.

3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under 1) category of this article and have loans at below-market interest rates.

Financial guarantee contracts refer to contracts that require the issuer to pay a specified amount to the contract holder who has suffered losses when a particular debtor is unable to pay a debt due in accordance with the original or modified debt instrument terms. Financial guarantee contracts not belonging to the financial liabilities designated to be measured by fair value through the current profit or loss shall be measured at the amount of loss provision or the balance of the initial recognition amount deducting the accumulated amortization amount within the guarantee period after initial recognition, whichever is higher.

3. Derecognition of financial assets and financial liabilities

(1) If a financial asset meets one of the following conditions, the financial asset shall be derecognized, that is, it shall be written off from its account and balance sheet:

1) The contractual right to receive the cash flows of the financial assets is terminated.

2) The financial assets have been transferred and the transfer meets the requirements for derecognition of the financial assets.

(2) Derecognition criteria of financial liabilities

If the present obligations of the financial liabilities (or part thereof) have been discharged, the financial liabilities (or part thereof) shall be derecognized.

If the Company enters into an agreement with the lender to replace the original financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities are substantially different from those of the original financial liabilities, or the contract terms of the original financial liabilities (or part thereof) are substantially modified, the original financial liabilities shall be derecognized and a new financial liability shall be recognized at the same time. The difference between the book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit or loss.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities as a whole shall be allocated according to the proportion of the fair value of the continuously recognized part and the derecognized part on the repurchase date to the overall fair value. The difference between the book value allocated to the derecognized part and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit or loss.

4. Recognition basis and measurement method of transfer of financial assets

When a financial asset is transferred, the Company assesses the extent of the risks and rewards associated with the ownership of the financial assets it retains, and deals with them according to the following circumstances:

(1) Where the Company transfers substantially all the risks and rewards related to the ownership of a financial assets, the financial assets shall be derecognized, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities.

(2) If the Company retains nearly all the risks and rewards related to the ownership of the financial assets, the financial assets shall continue to be recognized.

(3) Where the Company neither transfers nor retains almost all the risk and reward on the ownership of the financial assets (i.e. other circumstances except for (1) and (2) of this Article), they shall be treated according to the following circumstances according to whether the Company retains the control over the financial assets:

1) If the Company doesn't retain the control over the financial assets, the financial assets shall be derecognized, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities.

2) If the Company retains the control over the financial assets, it shall continue to recognize the relevant financial assets according to the extent of its continuous involvement in the transferred financial assets, and recognize the relevant liabilities accordingly. The degree of continuous involvement in the transferred financial assets refers to the degree of the risk or reward of changes in the value of transferred financial assets undertaken by the Company.

The principle of substance over form shall be adopted when judging whether the transfer of financial assets satisfies the above-mentioned derecognition criteria of financial assets. The Company divides the transfer of financial assets into the overall transfer and the partial transfer of financial assets.

(1) If the overall transfer of the financial assets meets the derecognition criteria, the difference between the following two amounts shall be included in the current profit or loss:

1) The book value of the transferred financial assets on the derecognition date.

2) The sum of the consideration received from the transfer of financial assets and the amount corresponding to the derecognized part of the accumulated amount of changes in fair value originally and directly included in the other comprehensive income (the financial assets involved in the transfer are classified as the financial assets measured at fair value through the other comprehensive income).

(2) If the financial assets are partially transferred and the transferred portion satisfies the derecognition criteria as a whole, the entire book value of the financial assets before the transfer shall be amortized between the derecognized portion and the continuously recognized portion (in this case, the retained service assets shall be deemed as part of the continuously recognized financial assets) according to their respective relative fair values on the transfer date, and the underrecognized part according to their respective relative fair values on the transfer date, and then the difference between the following two amounts shall be recorded into the current profit or loss:

1) The book value of the derecognized part on the derecognition date.

2) The sum of the consideration received from the derecognized part and the corresponding amount of derecognized part in the accumulated amount of changes in fair value originally included in the other comprehensive income (the financial assets involved in the transfer are classified as the financial asset measured at fair value through other comprehensive income).

If the transfer of financial assets does not satisfy the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liabilities.

5. Determination method of fair value of financial assets and financial liabilities

The fair value of financial assets or financial liabilities with an active market is determined by the quoted price of the active market, unless there is a restricted period for the asset itself. For financial assets with restricted sales for the asset itself, the compensation amount required by the market participant for bearing the risk of not being able to sell the financial assets in the open market within the specified period shall be deducted from the quoted price in the active market. Quotations in active markets include quotations for the relevant assets or liabilities that are readily and regularly available from exchanges, traders, brokers, industry groups, pricing agencies or regulatory authorities, and represent actual and frequent market transactions on an arm's length basis.

The fair value of financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of market transaction prices.

For financial assets or financial liabilities without active market, the fair value shall be determined by valuation techniques. In the valuation, the Company adopts the valuation techniques that are applicable in the current situation and supported by sufficient available data and other information, selects the inputs that are consistent with the characteristics of the assets or liabilities considered by market participants in the transaction of the relevant assets or liabilities, and gives priority to the use of relevant observable inputs as much as possible. When relevant observable inputs cannot be obtained or are impracticable to obtain, unobservable inputs are used.

6. Impairment of financial assets

The Company shall conduct impairment accounting and recognize loss provisions on the basis of expected credit losses for financial assets measured at amortized costs, financial assets classified as measured at fair value through other comprehensive income, lease receivables, contract assets, loan commitments that are not financial liabilities measured at fair value through the current profit or loss, financial liabilities that are not measured at fair value through the current profit or loss, and financial guarantee contracts that are formed due to the transfer of financial assets that do not meet the conditions for derecognition or continuous involvement in the transferred financial assets.

Expected credit loss refers to the weighted average of credit loss of financial instruments with the risk of default as the weight. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company, discounted at the original effective interest rate, that is, the present value of all the cash shortages. Among them, the financial assets purchased or originated by the Company that have incurred credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustment.

The Company measures the loss provision for all contract assets, notes receivable and accounts receivable arising from transactions regulated by the revenue standards at an amount equivalent to the expected credit loss during the entire duration.

For financial assets purchased or originated that have incurred credit impairment, only the cumulative change in expected credit loss during the entire duration since initial recognition is recognized as loss provision on the balance sheet date. On each balance sheet date, the amount of changes in expected credit loss during the entire duration is included in the current profit or loss as an impairment loss or gain. The favorable change in expected credit loss is recognized as impairment gain even if the expected credit loss during the entire duration determined on the balance sheet date is less than the expected credit loss reflected in the estimated cash flows at the time of initial recognition.

For financial assets other than those subject to simplified measurement and purchased or originated that have suffered from credit impairment, the Company assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition on each balance sheet date, and measures its loss provisions, recognizes expected credit losses and their changes respectively according to the following circumstances:

(1) If the credit risk of the financial instruments has not increased significantly since the initial recognition and is in the first stage, the loss provision is measured at an amount equal to the expected credit loss of the financial instruments over the next 12 months, and the interest income is calculated based on the book balance and effective interest rate.

(2) If the credit risk of the financial instruments has increased significantly since initial recognition but no credit impairment has occurred, and it is in the second stage, the loss provision shall be measured at an amount equivalent to the expected credit loss of the financial instruments during the entire duration, and the interest income shall be calculated based on the book balance and the effective interest rate.

(3) If the financial instruments have suffered from credit impairment since its initial recognition, which is in the third stage, the Company measures its loss provision at an amount equal to the expected credit loss of the financial instruments during the entire duration, and calculates interest income based on amortized costs and effective interest rate.

The increase or reversal of the provision for credit loss of financial instruments shall be included in the current profit or loss as impairment loss or gain. Except for financial assets classified as measured at fair value through other comprehensive income, the provision for credit loss offsets the book balance of financial assets. For financial assets classified as measured at fair value through other comprehensive income, the Company recognizes the provision for credit loss in other comprehensive income without reducing the book value of the financial assets presented in the balance sheet.

In the previous accounting period, the Company has measured the loss provision according to the amount equivalent to the expected credit loss of the financial instruments during the entire duration. However, on the current balance sheet date, the financial instruments no longer belong to the situation where the credit risk has increased significantly since the initial recognition. On the current balance sheet date, the Company measures the loss provision of the financial instruments according to the amount equivalent to the expected credit loss in the next 12 months, and the reversal amount of the resulting loss provision is included in the current profit or loss as impairment gains.

(1) Significant increase in credit risk

The Company uses reasonable and well-founded forward-looking information available to determine whether the credit risk of the financial instruments has increased significantly since initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date. For financial guarantee contracts, the Company applies the impairment of financial instruments regulations, and the date on which the Company becomes a party to the irrevocable commitment is the initial recognition date.

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

1) Whether the actual or expected operating results of the debtor have changed significantly;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;

3) Whether there are significant changes in the value of collateral used as debt collateral or the quality of guarantee or credit enhancement provided by a third party, which are expected to reduce the economic motivation of the debtor to repay the debt within the contract period or affect the probability of default;

4) Whether the debtor's expected performance and repayment behavior have changed significantly;

5) Whether there is any change in the Company's credit management method for financial instruments, etc.

On the balance sheet date, if the Company judges that the financial instruments only have low credit risk, the Company assumes that the credit risk of the financial instruments has not increased significantly since the initial recognition. If the default risk of the financial instruments is low, the borrower's ability to fulfill its contractual cash flow obligation in the short term is strong, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligation, then the financial instruments is considered to have a low credit risk.

(2) Financial assets with credit impairment

In case of one or more events having an adverse effect on the expected future cash flows of the financial assets, the financial assets will be taken as the financial assets with credit impairment. Evidence that the financial assets has credit impairment includes the following observable information:

1) The issuer or the debtor suffers from severe financial difficulties;

2) The debtor breaches the contract, such as default or delay in repayment of interest or principal;

3) The creditor gives the debtor any concession that it would not make under any other circumstances for economic or contractual considerations related to the debtor's financial difficulties;

4) The debtor is likely to go bankrupt or undergo other financial reorganization;

5) The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;

6) Purchase or originate a financial asset at a substantial discount that reflects the fact that a credit loss has occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by separately identifiable events.

(3) Determination of expected credit loss

The Company assesses the expected credit loss of financial instruments based on individual and portfolio, and considers reasonable and well-founded information about past events, current conditions and future economic conditions when assessing the expected credit loss.

The Company divides financial instruments into different portfolios based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: type of financial instruments, credit risk rating, aging portfolio, contract settlement cycle, debtor's industry, etc. The individual assessment criteria and portfolio credit risk characteristics of the relevant financial instruments are detailed in the accounting policies of the relevant financial instruments.

The Company determines the expected credit loss of the relevant financial instruments according to the following methods:

1) For financial assets, the credit loss is the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be received.

2) For lease accounts receivable, the credit loss is the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be received.

3) For financial guarantee contracts, the credit loss is the present value of the difference between the expected payment to be made by the Company to the holder of such contract for credit losses incurred by the holder of such contract, less the amount the Company expects to collect from the holder of such contract, the debtor or any other party.

4) For financial assets that have incurred credit impairment on the balance sheet date but not those purchased or originated that have incurred credit impairment, the credit loss is the difference between the book balance of the financial assets and the present value of the estimated future cash flows discounted at the original effective interest rate.

The method of measuring the expected credit loss of financial instruments of the Company reflects the following factors: the weighted average amount of unbiased probability determined by evaluating a series of possible results; time value of money; reasonable and well-founded information about past events, current conditions and projections of future economic conditions that can be obtained without unnecessary additional cost or effort on the balance sheet date.

(4) Write-down of financial assets

When the Company no longer reasonably expects that the contractual cash flows of the financial assets can be recovered in whole or in part, the book balance of the financial assets shall be directly written down. Such write-downs constitute the derecognition of the relevant financial assets.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet without offsetting each other. However, if the following conditions are met at the same time, the net amount after mutual offset shall be listed in the balance sheet:

(1) The Company has the legal right to offset the recognized amount, and such legal right is currently enforceable;

(2) The Company plans to settle on a net basis, or to realize the financial assets and settle the financial liabilities at the same time.

(XIII) Notes receivable

See Note (XII) 6. Impairment of financial assets for the determination method and accounting treatment method of the Company's expected credit loss of notes receivable.

When it is impossible to evaluate sufficient evidence of expected credit loss at a reasonable cost at the level of a single instrument, the Company shall, with reference to historical credit loss experience, combine the current situation and the judgment of future economic conditions, divide the notes receivable into several portfolios based on the credit risk characteristics, and calculate the expected credit loss on the basis of the portfolio. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio of bank acceptance bill	The drawer has a high credit rating, no default on bills in history, extremely low credit loss risk, and a strong ability to fulfill its obligations to pay contractual cash flows in a short term.	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration.

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio of commercial acceptance bill	The acceptor is an enterprise with relatively high credit risk	With reference to accounts receivable, it is accrued according to the comparison table of aging and expected credit loss rate during the entire duration.

The comparison table of aging and expected credit loss rate of the aging portfolio is as follows:

Aging	Expected credit loss rate *(%)*
Within 1 year	5.00

(XIV) Accounts receivable

See Note (XII) 6. Impairment of financial assets for the determination method and accounting treatment method of the Company's expected credit loss of accounts receivable.

For accounts receivable with credit risk significantly different from portfolio credit risk, the Company shall make provision for expected credit loss on an individual basis. The Company determines the credit loss of accounts receivable with sufficient evidence to assess the expected credit loss at a reasonable cost at the level of a single instrument.

When it is impossible to evaluate the sufficient evidence of expected credit losses at a reasonable cost at the level of a single instrument, the Company shall, with reference to historical credit loss experience, combine the current situation and the judgment of future economic conditions, divide the accounts receivable into several portfolios based on the credit risk characteristics, and calculate the expected credit loss on a portfolio basis. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio of related parties within the consolidation scope	Accounts receivable of related parties included in the consolidation scope	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration.
Aging portfolio	Accounts receivable portfolio with similar credit risk characteristics by aging	Calculated according to the comparison table of the aging and the expected credit loss rate during the entire duration

The comparison table of aging and expected credit loss rate of the aging portfolio is as follows:

Aging	Expected credit loss rate *(%)*
Within 1 year	5.00
1-2 years	10.00
2-3 years	20.00
3-4 years	50.00
4-5 years	50.00
Over 5 years	100.00

The aging of accounts receivable is calculated on a first-in-first-out basis.

(XV) Receivables financing

Notes receivable classified as measured at fair value through other comprehensive income are presented as receivables financing if their maturity is within one year (inclusive) from the date of initial recognition; and as other debt investments if their maturity is more than one year from the date of initial recognition. See Note (XII) Financial instruments for relevant accounting policies.

(XVI) Other receivables

See Note (XII) 6. Impairment of financial assets for the determination method and accounting treatment method of the Company's expected credit loss of other receivables.

For other receivables with credit risk significantly different from portfolio credit risk, the Company shall make provision for expected credit loss on an individual basis. The Company determines the credit loss of other receivables that can be assessed at a reasonable cost at the level of individual instruments with sufficient evidence of expected credit loss.

When it is impossible to evaluate sufficient evidence of expected credit losses at a reasonable cost at the level of a single instrument, the Company refers to historical credit loss experience, combines current conditions and judgments about future economic conditions, and divides other receivables into several portfolios based on credit risk characteristics, and calculates expected credit losses on a portfolio basis. The basis for determining the portfolio is as follows:

Name of portfolios	Basis for determining the portfolio	Method for provision
Portfolio I	Guarantee deposit, reserve fund, temporary payment and other nature payments	The expected credit loss is accrued through the exposure at default and the expected credit loss rate in the next 12 months or during the entire duration.
Portfolio II	Other receivables of related parties included in the consolidation scope	The expected credit loss is calculated by reference to historical credit loss experience, combined with current conditions and projections of future economic conditions, through exposure at default and expected credit loss rate during the entire duration.

The comparison table of aging and expected credit loss rate of the aging portfolio is as follows:

Aging	Expected credit loss rate *(%)*
Within 1 year	5.00
1-2 years	10.00
2-3 years	20.00
3-4 years	50.00
4-5 years	50.00
Over 5 years	100.00

The aging of other receivables is calculated on a first-in-first-out basis.

(XVII) Inventories

1. Classification of inventories

Inventories refer to the finished products or commodities held by the Company for sale in daily activities, products in progress in the production process, materials and supplies consumed in the production process or labor service process, etc. Inventories mainly include raw materials, circulating materials, consigned processing materials, products in progress, self-manufactured semi-finished products, finished products (stock commodities), dispatched goods, etc.

2. Measurement method of inventories

When inventories are acquired, they are initially measured at cost, including purchase cost, processing cost and other cost. Inventories are measured at the weighted average method at the end of the month when dispatched.

3. Determination basis of net realizable value of inventories and methods for provision for inventory depreciation

After a comprehensive inventory check at the end of the period, the provision for inventory depreciation shall be withdrawn or adjusted according to the lower of the cost of the inventory or the net realizable value. For commodity inventories for direct sale, including finished products, stock commodities and materials for sale, the net realizable value shall be recognized at the estimated selling price less the estimated selling expenses and the relevant taxes and surcharges of the inventories in the normal production and operation process. For material inventories to be processed, the net realizable value shall be recognized at the estimated selling price of finished products less estimated costs to completion, estimated selling expenses and relevant taxes and surcharges in the normal production and operation process. The net realizable value of the inventories held for the execution of the sales contract or service contract shall be calculated on the basis of the contract price; if the quantity of the inventories held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventories shall be calculated on the base of the general selling price.

At the end of the year, the provision for inventory depreciation is made on an individual basis; however, for inventories with large quantity and low unit price, the provision for inventory depreciation shall be made according to the inventory categories. For inventories related to the series of products manufactured and sold in the same area, with the same or similar final use or purpose, and difficult to be measured separately from other items, the provision for inventory depreciation shall be made on a consolidated basis.

If the factors that caused the previous write-down of inventories have disappeared, the amount of the write-down will be restored and reversed from the amount of provision for inventory depreciation that was originally accrued, and the reversed amount will be included in the current profit or loss.

4. Inventory system of inventories

The perpetual inventory system is adopted for inventory taking purpose.

5. Amortization method of low-value consumables and packaging materials

(1) Low-value consumables are amortized using one-time write-off method.

(2) Packaging materials are amortized using one-time write-off method.

(3) Other circulating materials are amortized using one-time write-off method.

(XVIII) Contract assets

Where the Company has transferred goods to the customer and has the right to receive consideration, and the right depends on factors other than the passage of time, it is recognized as contract assets. The Company's right to receive consideration from the customer unconditionally (i.e. subject only to the passage of time) is separately presented as accounts receivable.

See Note (XII) 6. Impairment of financial assets for the determination method and accounting treatment method of the Company's expected credit loss of contract assets.

(XIX) Long-term equity investments

1. Determination of the initial investment cost

(1) For long-term equity investments formed by business combinations, please refer to the accounting treatment method of business combinations under common control and not under common control in Note (VII) for specific accounting policies.

(2) Long-term equity investments obtained by other means.

For long-term equity investments acquired by making payments in cash, the actually paid purchase price shall be taken as the initial investment cost. The initial investment cost includes the expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments.

Long-term equity investments obtained from the issuance of equity securities shall be taken as the initial investment cost according to the fair value of the issuance of equity securities. Transaction expenses incurred in issuing or acquiring self-owned equity instruments can be deducted from equity if they are directly attributable to equity transactions.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets received or the assets surrendered can be measured reliably, the initial investment cost of the long-term equity investments received from the exchange of non-monetary assets shall be determined on the basis of the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the assets received is more reliable; for exchange of non-monetary assets that do not meet the above prerequisites, the book value of the assets surrendered and the relevant taxes and surcharges payable shall be taken as the initial investment cost of the long-term equity investments received.

For long-term equity investments acquired through debt restructuring, the initial investment cost is determined based on fair value.

2. Subsequent measurement and recognition of profit or loss

(1) Cost method

The Company can use the cost method to account for the long-term equity investments that can control the investee, and value it according to the initial investment cost, and add or recover the investment to adjust the cost of the long-term equity investments.

Besides the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration that have been declared but not yet distributed, the Company recognizes the current investment income according to the cash dividends or profit declared to be distributed according to the investees.

(2) Equity method

The Company adopts accounting by equity method for the long-term equity investments of associates and joint ventures; for equity investments in associates held indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, they are measured at fair value through profit or loss.

If the initial investment cost of the long-term equity investments is greater than the share of fair value of identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investments will not be adjusted; the difference between the initial investment cost and the share of fair value of identifiable net assets of the investee at the time of investment shall be included in current profit or loss.

After the Company obtains the long-term equity investments, it shall recognize the investment income and other comprehensive income respectively according to the share of net profit or loss and other comprehensive income realized by the investee that should be enjoyed or shared, and adjust the book value of the long-term equity investments at the same time; the book value of the long-term equity investments shall be reduced according to the part to be enjoyed calculated according to the profits or cash dividends declared to be distributed by the investee; for other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, the book value of long-term equity investments shall be adjusted and included in owners' equity.

When recognizing the share of net profit or loss of the investee, the Company shall recognize the net profit of the investee after adjustment based on the fair value of each identifiable asset of the investee at the time of acquisition of the investment. Unrealized profit or loss from internal transactions between the Company and its associates and joint ventures are offset at the proportion attributable to the Company and recognized as the investment profit or loss on this basis.

When the Company recognizes the losses incurred by the investee that shall be shared, it shall be treated in the following order: first, the book value of the long-term equity investments shall be offset. Secondly, if the book value of the long-term equity investments is insufficient to offset, the investment losses shall continue to be recognized to the extent of other long-term equity book value that substantially constitute the net investment in the investees to offset the book value of long-term receivables and other items. Finally, after the above treatment, if the enterprise still undertakes additional obligations as agreed in the investment contract or agreement, the estimated liabilities shall be recognized according to the estimated obligations and included in the current investment loss.

If the investee realizes profits in subsequent periods, the Company shall, after deducting the unrecognized loss sharing, deal with it in the reverse order of the above, write down the book balance of the recognized estimated liabilities, restore the book value of other long-term equity and long-term equity investments that substantially constitute the net investment in the investee, and resume the recognition of investment income.

3. Conversion of accounting methods for long-term equity investments

(1) Measurement at fair value transferred to accounting by equity method

For the equity investment originally held by the Company that does not have control, joint control or significant influence on the investee and is accounted for in accordance with the recognition and measurement standards for financial instruments, if it can exert significant influence on the investee or exercise joint control but does not constitute control due to additional investment or other reasons, the sum of the fair value of the equity investments originally held as determined in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments plus the newly increased investment cost shall be taken as the initial investment cost of the accounting by equity method.

If the initial investment cost under the accounting by equity method is less than the difference between the fair value of identifiable net assets share of the investee on the date of additional investment calculated according to the new shareholding ratio after the additional investment, the book value of the long-term equity investments shall be adjusted and included in the current non-operating revenue.

(2) Measurement at fair value or accounting by equity method to accounting by cost method

For equity investments originally held by the Company that does not have control, joint control or significant influence on the investee and is accounted for in accordance with the recognition and measurement standards of financial instruments, or for long-term equity investments originally held in associates and joint ventures that can exercise control over the investee not under common control due to additional investment, the sum of the book value of the equity investments originally held and the newly increased investment cost shall be taken as the initial investment cost accounted for under the cost method in the preparation of individual financial statements.

For other comprehensive income recognized by accounting by equity method for equity investments held before the acquisition date, accounting treatment shall be made on the same basis as the investee directly disposes of the relevant assets or liabilities when disposing of the investment.

If the equity investments held before the acquisition date are accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the accumulated changes in fair value originally included in other comprehensive income shall be transferred to the current profit or loss when they are accounted for under the cost method.

(3) Accounting by equity method transferred to measurement at fair value

If the Company loses common control or significant influence on the investee due to the disposal of part of the equity investments or other reasons, the remaining equity after disposal shall be accounted for in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of common control or significant influence shall be included in the current profit or loss.

For the other comprehensive income of the original equity investments recognized by adopting the accounting by equity method, the accounting treatment shall be made on the same basis for the direct disposal of the relevant assets or liabilities by the investees when the accounting by equity method is terminated.

(4) Cost method to equity method

If the Company loses control over the investee due to disposal of part of the equity investments and other reasons, when preparing individual financial statements, if the remaining equity after disposal can exercise common control or significant influence on the investee, the accounting by equity method shall be adopted, and the remaining equity shall be adjusted as if it had been accounted by equity method since the acquisition.

(5) Cost method to measurement at fair value

If the Company loses control over the investee due to disposal of part of the equity investment and other reasons, when preparing individual financial statements, if the remaining equity after disposal cannot exercise common control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value and book value on the date of loss of control shall be included in the current profit or loss.

4. Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price obtained shall be included in the current profit or loss. For long-term equity investments accounted for using the equity method, accounting treatment shall be made for the part originally included in the other comprehensive income according to the corresponding ratio on the same basis as that for the investees to directly dispose of the relevant assets or liabilities when disposing of the investment.

If the terms, conditions and economic impact of the disposal of equity investments in subsidiaries meet one or more of the following conditions, multiple transactions will be accounted for as a package of transactions:

(1) These transactions are concluded at the same time or under the consideration of mutual effect;

(2) Only these transactions as a whole can reach a complete commercial result;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction; and

(4) A single transaction is uneconomical but it is economical when considered together with other transactions.

If the control over the original subsidiary is lost due to the disposal of part of the equity investments or other reasons, it is not a package of transactions to distinguish individual financial statements and consolidated financial statements for relevant accounting treatment:

(1) In individual financial statements, for the disposed equity, the difference between the book value and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exercise common control or significant influence on the investee, it shall be changed to accounting by equity method, and the remaining equity shall be adjusted as if it had been accounted by equity method since the acquisition; if the remaining equity after disposal cannot exercise joint control or significant influence investees, accounting treatment shall be carried out in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the difference between fair value and book value on the date of loss of the control should be included in the current profit or loss.

(2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, the difference between the disposal price and the disposal long-term equity investments corresponding to the share of the subsidiary's net asset share calculated continuously from the acquisition date or the combination date shall be adjusted to the capital reserve (equity premium). If the capital reserve is insufficient to offset, the retained earnings shall be adjusted; when the right of control over the subsidiary is lost, the remaining equity shall be re-measured at its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, less the share of net assets of the original subsidiary calculated continuously from the acquisition date according to the original shareholding ratio, shall be included in the investment income of the current loss of control, and the goodwill shall be offset at the same time. Amount of the other comprehensive income relating to the equity investment of the original subsidiary will be transferred to the current investment income at the time of loss of control.

If the disposal of various transactions of equity investments in subsidiaries until the loss of control belongs to a package of transactions, each transaction shall be accounted for as a transaction of disposal of equity investments in subsidiaries and loss of control, and the relevant accounting treatment shall be carried out by distinguishing individual financial statements and consolidated financial statements:

(1) In individual financial statements, the difference between each disposal price before the loss of control and the book value of the long-term equity investments corresponding to the disposed equity is recognized as other comprehensive income, and is transferred to the profit or loss of the period when the loss of control occurs.

(2) In the consolidated financial statements, the difference between each disposal price and the share of net asset of the subsidiary corresponding to the disposal investment before the loss of control is recognized as other comprehensive income, and is transferred to the profit or loss of the current period of the loss of control when the loss of control occurs.

5. Judgment criteria for common control and significant influence

If the Company collectively controls an arrangement with other participants in accordance with the relevant agreement, and the decision on the activity that has a significant impact on the return of the arrangement only exists when it is unanimously agreed by the participants sharing the right of control, it is deemed that the Company and other participants are under common control of an arrangement, and the arrangement is a joint venture arrangement.

If the joint venture arrangement is reached through an individual entity, the Company shall be deemed to have the right to the net assets of the individual entity according to the relevant agreement, and the individual entity shall be regarded as a joint venture and the accounting by equity method shall be adopted. If it is judged that the Company does not have the right to the net assets of the individual entity according to the relevant agreement, the individual entity shall be regarded as the joint operations, and the Company shall recognize the items related to the share of interests in the joint operations and conduct accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises.

Significant influence refers to the power of the investor 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. The Company determines that it has significant influence on the investee through one or more of the following circumstances and taking into account all facts and circumstances: (1) Have representatives on the Board of Directors or similar authorities of the investee; (2) Participate in the formulation of financial and operating policies of the investee; (3) Have important transactions with the investee; (4) Dispatch management personnel to the investee; (5) Provide key technical information to the investee.

(XX) Fixed assets

1. Recognition criteria for fixed assets

Fixed assets refer to the tangible assets held for the purpose of producing commodities, providing services, renting or business management, and the service life exceeds one fiscal year. The fixed assets shall be recognized when all the following conditions are satisfied:

(1) It is probable that the economic benefits related to the fixed assets will flow to the Company;

(2) The cost of the fixed assets can be measured reliably.

2. Initial measurement of fixed assets

The Company's fixed assets are initially measured at cost.

(1) The cost of externally purchased fixed assets includes the purchase price, import duties and other relevant taxes and surcharges, as well as other directly attributable expenses incurred to prepare the fixed assets for their intended use.

(2) The cost of a self-constructed fixed asset consists of necessary expenditures incurred before the asset reaches the working condition for its intended use.

(3) Fixed assets invested by investors are recorded at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, they are recorded at the fair value.

(4) If the payment for the purchase of fixed assets is delayed beyond the normal credit conditions and is of financing nature in essence, the cost of fixed assets shall be determined on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price shall be included in the current profit or loss within the credit period, except for those to be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation of fixed assets is accrued over the estimated service life based on the book-entry value less the estimated net residual value. For fixed assets with provision for impairment, the depreciation amount shall be determined according to the book value after deducting the provision for impairment and the remaining useful life in the future period; no provision for depreciation is made for fixed assets that have been fully depreciated and remain in use.

The Company determines the service life and estimated net residual value of fixed assets according to the nature and use of fixed assets. At the end of the year, the Company shall review the service lives, estimated net residual value and depreciation method of the fixed assets, and make corresponding adjustments if there is any difference from the original estimates.

The depreciation methods, depreciation years and annual depreciation rates of fixed assets are as follows:

Type	**Depreciation method**	**Depreciation life** *(year)*	**Residual value rate** *(%)*	**Annual depreciation rate** *(%)*
Houses and buildings	Straight-line method	20	5	4.75
Machinery equipment	Straight-line method	10	5	9.50
Transportation equipment	Straight-line method	4-10	5	9.50-23.75
Electronic equipment	Straight-line method	3-5	5	19.00-31.66
Other equipment	Straight-line method	3-5	5	19.00-31.66

(2) Subsequent expenses of fixed assets

Subsequent expenditures related to fixed assets that meet the recognition criteria for fixed assets are included in the cost of fixed assets; if they do not meet the recognition criteria for fixed assets, they shall be included in the current profit or loss when occurred.

(3) Disposal of fixed assets

When fixed assets are disposed of or are expected to fail to generate economic benefits after the use or disposal, the fixed assets shall be derecognized. The difference of the revenue from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes should be included in the current profit or loss.

(XXI) Construction in progress

1. Initial measurement of construction in progress

The construction in progress self-built by the Company is measured at actual cost, which consists of necessary expenses incurred to construct the asset to reach its intended use, including the cost of materials used for the project, labor costs, relevant taxes paid, borrowing costs to be capitalized and indirect costs to be allocated.

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

The construction in progress is recorded as a fixed asset at the value of all expenditures incurred in constructing the asset until it reaches its intended state of use. If the construction in progress has reached the working condition for its intended use, but the final accounts for completion have not been handled, it shall be transferred to fixed assets at the estimated value according to the project budget, cost or actual cost of the project from the date when it reaches the working condition for its intended use, and the depreciation of fixed assets shall be accrued according to the Company's depreciation policy. After the final accounts for completion are handled, the original provisional estimated value shall be adjusted according to the actual cost, but the depreciation amount already accrued shall not be adjusted.

(XXII) Borrowing costs

1. Recognition principles for capitalization of borrowing costs

If borrowing costs incurred by the Company can be directly attributed to the acquisition, construction or production of assets eligible for capitalization, they shall be capitalized and included in the related asset costs; other borrowing costs are recognized as expenses at the amount incurred and included in the profit or loss of the current period.

Assets eligible for capitalization refer to the fixed assets, investment properties, inventories and other assets that can reach the working conditions for their intended use or sales only after a long period of acquisition, construction or production activities.

The capitalization of borrowing costs shall commence when the following conditions are simultaneously met:

(1) Asset expenditures have occurred, including expenditures paid to acquire and construct or produce assets eligible for capitalization in forms of cash, transfer of non-cash assets or undertaking of debts bearing interest;

(2) The borrowing costs have been incurred;

(3) Acquisition, construction or production activities for preparing the assets ready for their intended use or sale have begun.

2. Capitalization period of borrowing costs

Capitalization period refers to the period from the commencement of capitalization to the cessation of capitalization of borrowing costs, excluding the period of suspending capitalization of borrowing costs.

When the acquired and constructed or produced assets eligible for capitalization have reached the working conditions for their intended use or sale, the capitalization of borrowing costs shall be ceased.

When part of the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of the borrowing costs shall be ceased in terms of such part of assets.

Where all parts of the acquired and constructed or produced assets are completed separately, but the assets cannot be used or sold externally until the overall completion, the capitalization of borrowing costs of such assets shall be ceased upon the overall completion.

3. Capitalization suspension period

Where the acquisition and construction or production of assets eligible for capitalization are interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs shall be suspended; if the interruption is a necessary procedure for the acquired and constructed or produced assets eligible for capitalization to reach the working conditions for their intended use or sale, the borrowing costs shall continue to be capitalized. The borrowing costs occurred during the interruption period are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production activities of the assets restart.

4. Calculation method of capitalization amount of borrowing costs

The interest expenses of special borrowings (deducting the interest income obtained by depositing unused borrowing funds in the bank or the investment income obtained by making temporary investments) and its auxiliary expenses shall be capitalized before the assets purchased, constructed or produced that meet the capitalization conditions reach the expected usable or marketable state.

The amount of interest to be capitalized on general borrowings shall be calculated and determined by multiplying the weighted average of the asset expenditure of the accumulated asset expenditure in excess of the special borrowings by the capitalization rate of the general borrowings used. The capitalization rate is calculated and recognized as per the weighted average interest rate of general borrowing.

Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted by taking account of amortizable discount or premium amounts for the period at effective interest method.

(XXIII) Right-of-use assets

The Company shall make the initial measurement of the right-of-use assets according to the cost, which includes:

1. The initial measurement amount of lease liabilities;

2. For lease payments made on or before the lease commencement date, if there are lease incentives, the amount related to the lease incentives already enjoyed will be deducted;

3. Initial direct costs incurred by the Company;

4. The costs that the Company expects to incur to dismantle and remove leased assets, restore the site where leased assets are located, or restore leased assets to the state stipulated in the lease terms (excluding the costs incurred for the production of inventory).

After the lease commencement date, the Company shall use the cost model for subsequent measurement of the right-of-use assets.

If it can be reasonably determined that the ownership of leased assets will be obtained at the expiration of the lease term, the Company shall make provision for depreciation within the remaining useful life of the leased asset. If there is no reasonable assurance that the ownership of leased assets will be obtained at the end of the lease term, the Company shall make provision for depreciation over the shorter of the lease term or the remaining useful life of the leased asset. For the right-of-use assets with provision for impairment, the depreciation shall be made in the future according to the book value after deducting the provision for impairment with reference to the above principles.

(XXIV) Intangible assets and development expenses

Intangible assets refer to the identifiable non-monetary assets without physical form owned or controlled by the Company, including land use rights, patent rights and non-patent technology, data resources, etc.

1. Initial measurement of intangible assets

The costs of an externally acquired intangible asset comprise its purchase price, relevant taxes and any other expenditure directly attributable to bringing the asset to its intended use. If the purchase price of an intangible asset is delayed beyond the normal credit conditions and is substantially in the nature of financing, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

For intangible assets obtained from debt restructuring, the book-entry value of such intangible assets shall be determined on the basis of the fair value of such intangible assets, and the difference between the book value of the restructured debt and the fair value of the intangible assets used to offset the debt shall be included in the current profit or loss.

Under the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets exchanged in or the assets exchanged out can be measured reliably, the book-entry value of the intangible assets exchanged in the exchange of non-monetary assets is determined on the basis of the fair value of the assets exchanged out, unless there is conclusive evidence that the fair value of the assets exchanged in is more reliable. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets surrendered and the relevant taxes payable shall be recognized as the cost of the intangible assets received, and no profit or loss will be recognized.

The book-entry value of intangible assets acquired through absorption and merger of enterprises under common control shall be determined according to the book value of the combined party; the book-entry value of intangible assets acquired by means of absorption and merger of enterprises not under common control shall be determined at fair value.

The cost of internally developed intangible assets includes: materials cost, labor cost, registration fee, amortization of other patent right and franchise used in the development process, interest expenses that meet the capitalization conditions, and other direct expenses incurred to make the intangible assets meet the intended use.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the service life of intangible assets when obtaining them, and divides them into intangible assets with finite service life and intangible assets with indefinite service life.

(1) Intangible assets with definite service lives

Intangible assets with definite service life shall be amortized at the straight-line method within the period when it can bring economic benefits to the enterprise; the estimated service life of intangible assets with definite service lives and the basis are as follows:

Item	**Estimated service life**	**Basis**
Software	5 years	Estimated service life
Land use rights	50 years	The term stipulated in the land use right certificate
Patent right	10-20 years	
Trademark	10 years	

At the end of each period, the service life and amortization method of the intangible assets with finite service life shall be reviewed. If there is any difference with the original estimate, corresponding adjustment shall be made.

After review, the service life and amortization method of the intangible assets at the end of the current period are not different from those previously estimated.

(2) Intangible assets with indefinite service life

If it is impossible to predict the period when the intangible assets can bring economic benefits to the enterprise, it shall be deemed as the intangible assets with indefinite service life. For intangible assets with indefinite service life, they are not amortized during the holding period, and the service life of the intangible assets is reviewed at the end of each period. If it is still indefinite after the review at the end of the period, the impairment test shall be continued in each accounting period.

At the end of the reporting period, the Company had no intangible assets with indefinite service life.

3. Specific criteria for dividing the research phase and development phase of the internal research and development project of the Company

The Company's R&D expenditures are expenditures directly related to the Company's R&D activities, including employee benefits for R&D personnel, direct input expenses, depreciation costs and long-term deferred expenses, design expenses, equipment commissioning expenses, intangible assets amortization expenses, entrusted external R&D expenses, and other expenses. The wages of R&D personnel are included in the R&D expenditures according to the project man-hours.

Research stage: the stage when creative and planned investigations and research activities are carried out to acquire and understand new scientific or technological knowledge.

Development stage: a stage in which research results or other knowledge are applied to a plan or design for obtaining new or substantially improved materials, apparatuses and products prior to commercial manufacture or use.

Expenditures in the research stage of internal research and development project shall be included in the current profit or loss when incurred.

4. Specific criteria for expenditures in the development stage eligible for capitalization

Expenditures in the development stage of an internal research and development project shall be recognized as intangible assets when all the following conditions are met:

(1) It is technically feasible to complete the intangible assets so that it can be used or sold;

(2) It is intended to finish and use or sell the intangible assets;

(3) The usefulness of methods for 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;

(4) With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible assets, and it is able to use or sell the intangible assets; and

(5) Expenditures attributable to the development stage of the intangible assets can be measured reliably.

Capitalization time point of internal research and development expenses:

Expenditures in the development stage that do not meet the above conditions are included in the current profit or loss when incurred. Development expenses that have been included in the profit or loss in previous periods will not be recognized as assets in subsequent periods. Expenditures in the development phase that have been capitalized are listed as development expenses on the balance sheet and are transferred to intangible assets from the date when the project reaches its intended use.

(XXV) Impairment of long-term assets

The Company determines whether there is any indication that the long-term assets may be impaired on the balance sheet date. If there are indications of impairment in the long-term assets, the recoverable amount shall be estimated on an individual asset basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs.

The recoverable amount of the asset is the higher of its fair value less disposal cost or the present value of the estimated future cash flows of the asset.

According to the measurement results of the recoverable amount, if the recoverable amount of the long-term assets is lower than its book value, the book value of the long-term assets shall be written down to the recoverable amount, and the amount written down shall be recognized as the asset impairment loss and included in the current profit or loss, and the corresponding provision for asset impairment shall be made at the same time. Once the asset impairment loss is recognized, it shall not be reversed in subsequent accounting periods.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in future periods so that the adjusted asset book value (net of estimated net residual value) is systematically amortized over the remaining useful life.

Impairment tests for goodwill and intangible assets with indefinite service life arising from business combination shall be conducted every year regardless of whether there are indications of impairment.

In the impairment test of goodwill, the book value of goodwill is allocated to the asset group or asset group portfolio that are expected to benefit from the synergistic effect of business combination. When an impairment test is performed on the relevant asset group or portfolio of asset groups containing goodwill, if there is any indication that the asset group or portfolio of asset groups related to the goodwill may be impaired, the asset group or portfolio of asset groups excluding goodwill shall be tested for impairment first, and the recoverable amount shall be calculated, and compared with the relevant book value to recognize the corresponding impairment loss. Then an impairment test shall be performed on the asset group or portfolio of asset groups containing goodwill and compare the book value of these relevant asset group or portfolio of asset groups (including the book value of the goodwill apportioned) with their recoverable amount. If the recoverable amount of the relevant asset group or portfolio of asset groups is lower than their book value, the impairment loss of goodwill will be recognized.

(XXVI) Long-term deferred expenses

1. Amortization method

Long-term deferred expenses refer to various expenses that have been incurred by the Company but should be borne by the current period and subsequent periods with an amortization period of more than one year. Long-term deferred expenses are amortized by stages over the benefit period using the straight-line method.

2. Amortization period

Type	Amortization period	Remark
Decoration expenses of leased fixed assets	5 years	Amortization over estimated useful life

(XXVII) Contract liabilities

The Company recognizes the obligation to transfer goods to customers for consideration received or receivable from customers as contract liabilities.

(XXVIII) Employee compensation

Employee compensation refers to multiform remuneration or compensation offered of the Company in order to get services provided by its employees or sever the labor relation. Employee compensation includes short-term compensation, post-employment benefit, dismissal benefits and other long-term employee benefits.

1. Short-term compensation

Short-term compensation refers to the employee compensation, except post-employment benefit and dismissal benefits, which are required to be paid in full by the Company within 12 months after the end of the annual reporting period in which the employee provides the relevant services. The Company recognizes the short-term compensation payable as a liability during the accounting period in which the employee provides the service, and includes it in the related asset costs and expenses according to the beneficiary of the service provided by the employee.

2. Post-employment benefits

Post-employment benefit refers to various forms of remuneration and benefits, excluding short-term compensation and dismissal benefits, provided by the Company to obtain services provided by employees after their retirement or termination of labor relations with the Company.

The Company's post-employment benefit plans are all defined contribution plans.

The defined contribution plans of post-employment benefit mainly include the basic social endowment insurance and unemployment insurance organized and implemented by local labor and social security institutions. During the accounting period when employees provide services for the Company, the amount payable calculated according to the defined contribution plans is recognized as a liability and included in the current profit or loss or related asset costs.

After the Company makes regular payments in accordance with the standards stipulated by the state, it will have no other payment obligations.

3. Dismissal benefits

Dismissal benefits refer to the compensation given by the Company to employees for terminating the labor relationship with employees before the expiration of the labor contract, or for encouraging employees to voluntarily accept the reduction. The liability arising from the compensation for terminating the labor relationship with employees is recognized and included in the current profit or loss on the earlier of the date when the Company cannot unilaterally withdraw the plan for terminating the labor relationship or the date when the proposal for reduction is confirmed and the costs related to the restructuring involving the payment of dismissal benefits are recognized.

4. Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits other than short-term compensation, post-employment benefit and dismissal benefits.

For other long-term employee benefits that meet the conditions of defined contribution plans, the amount payable shall be recognized as a liability and included in the current profit or loss or related asset costs during the accounting period when the employee provides services for the Company; for other long-term employee benefits other than the above circumstances, on the balance sheet date, the financial department shall use the expected cumulative benefit unit method for actuarial calculation, and attribute the benefit obligations arising from the defined benefit plans to the period when the employees provide services, and include them in the current profit or loss or related asset costs.

(XXIX) Estimated liabilities

1. Criteria for recognition of estimated liabilities

When the obligations related to contingencies meet the following conditions at the same time, the Company will recognize them as estimated liabilities:

The obligation is the current obligation assumed by the Company;

The fulfillment of the obligation is likely to lead to outflow of economic benefits from the Company;

The amount of the obligation can be measured in a reliable way.

2. Measurement method of estimated liabilities

The Company's estimated liabilities shall be initially measured at the best estimate of the expenses required to fulfill the relevant present obligations.

When determining the best estimate, the Company shall comprehensively consider the risks, uncertainties and time value of money and other factors related to contingencies. For those that have a significant impact on the time value of money, the best estimate shall be determined by discounting the relevant future cash outflows.

The best estimate will be handled according to the following circumstances:

If there is a continuous range (or interval) of the required expenses, and the probabilities of occurrence of all the outcomes within this range are the same, the best estimate shall be determined according to the middle value of this range, that is, the average of the upper and lower limit amounts.

If there is no continuous range (or interval) of the required expenses, or the probabilities of occurrence of all the outcomes within this range are not the same although there is a continuous range, if the contingency involves a single item, the best estimate shall be determined according to the most likely amount; if the contingency involves more than one item, the best estimate shall be calculated and determined based on various possible outcomes and relevant probabilities.

If all or part of the expenses required by the Company to pay off the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received, and the recognized compensation amount shall not exceed the book value of the estimated liabilities.

(XXX) Lease liabilities

The Company makes the initial measurement of the lease liabilities according to the present value of the lease payments that have not been paid on the lease commencement date. In calculating the present value of the lease payments, the Company uses the interest rate implicit in lease as the discount rate; if the interest rate implicit in lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate. The lease payments include:

1. Fixed payments and substantial fixed payments after deducting the amount related to lease incentives;

2. Variable lease payments depending on an index or ratio;

3. The lease payments include the exercise price of the purchase option if the Company reasonably determines that the option will be exercised;

4. In the case that the lease term reflects that the Company will exercise the lease termination option, the lease payments include the amount to be paid for exercising the lease termination option;

5. The amount expected to be paid according to the guaranteed residual value provided by the Company.

The Company calculates the interest expenses of lease liabilities in each lease term based on a fixed discount rate, and includes such expenses into the current profit or loss or the related asset costs.

Variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or related asset costs when actually incurred.

(XXXI) Share-based payments

1. Types of share-based payments

The Company's share-based payments consist of equity-settled share-based payments and cash-settled share-based payments.

2. Determination method of fair value of equity instruments

For equity instruments such as options granted in an active market, the fair value thereof shall be determined according to the quoted price in the active market. For equity instruments such as options granted without an active market, the fair value is determined using an option pricing model, which takes into account the following factors: (1) the exercise price of the option; (2) the validity period of the option; (3) the current price of the underlying shares; (4) the expected volatility of share price; (5) the estimated dividends on shares; (6) the risk-free interest rate over the valid term of the option.

When determining the fair value of equity instruments on the grant date, the impact of market conditions and non-exercisable conditions in the exercisable conditions specified in the share-based payments agreement is considered. If there is a non-exercisable condition in the share-based payments, as long as the employee or other parties meet all the non-market conditions among the exercisable conditions (such as service period, etc.), the cost corresponding to the service shall be recognized.

3. Basis for determining the best estimate of exercisable equity instruments

On each balance sheet date during the waiting period, the Company makes the best estimate based on the latest subsequent information such as the change in the number of employees with exercisable rights, and corrects the expected number of equity instruments with exercisable rights. On the vesting date, the final estimated number of exercisable equity instrument is consistent with the actual number of exercisable equity instrument.

4. Accounting treatment method

Equity-settled share-based payments are measured at fair value of the equity instruments granted to employees. If the right is exercised immediately after the grant, it shall be included in the relevant costs or expenses based on the fair value of the equity instruments on the grant date, and the capital reserve shall be increased accordingly. If the right can only be exercised after completing the service within the waiting period or meeting the specified performance conditions, on each balance sheet day within the waiting period, based on the best estimate of the number of exercisable equity instruments, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserve according to the fair value on the grant date of equity instruments. No adjustment shall be made to the recognized relevant costs or expenses and the total owners' equity after the vesting date.

Cash-settled share-based payments are measured at fair value of liabilities calculated and determined on the basis of shares or other equity instruments assumed by the Company. If the right is exercisable immediately after the grant, the fair value of the Company's assumption of the liability shall be included in the relevant costs or expenses on the grant date, and the liability shall be increased accordingly. For cash-settled share-based payments that are exercisable only after completing the service within the waiting period or meeting the specified performance conditions, on each balance sheet date during the waiting period, based on the best estimate of the exercisable rights, the services obtained in the current period shall be included in costs or expenses and corresponding liabilities according to the fair value amount of the liabilities assumed by the Company. The Group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profit or loss.

If the granted equity instruments are canceled during the waiting period, the Company shall treat the cancellation of the granted equity instruments as accelerated exercise, and immediately include the amount to be recognized during the remaining waiting period into the current profit or loss, and recognize the capital reserve at the same time. If the employee or other party can choose to meet the non-exercisable condition but fails to meet the condition within the waiting period, the Company will treat it as the cancellation of the granted equity instruments.

(XXXII) Preferred shares, perpetual bonds and other financial instruments

In accordance with the provisions of the financial instrument standards, the Company classifies the financial instruments or its components as financial liabilities or equity instruments at initial recognition based on the contract terms of the financial instruments such as preferred shares and perpetual bonds issued and the economic substance reflected therein, rather than in a legal form, in combination with the definitions of financial liabilities and equity instruments:

1. Financial instruments issued will be classified as financial liabilities if one of the following conditions is met:

(1) Contractual obligations to deliver cash or other financial assets to other parties;

(2) Under potentially adverse conditions, exchange financial assets or financial liabilities with other parties;

(3) A non-derivative instrument contract that must be settled or can be settled with the enterprise's self-owned equity instruments in the future, and the enterprise will deliver a variable number of self-owned equity instruments under the contract;

(4) Derivative instrument contracts that must be settled or can be settled with the enterprise's self-owned equity instruments in the future, except for derivative instrument contracts in which a fixed number of self-owned equity instruments are exchanged for a fixed amount of cash or other financial assets.

2. Financial instruments issued will be classified as equity instruments if the following conditions are met simultaneously:

(1) The financial instruments do not include the contractual obligations to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions;

(2) If the financial instruments shall or can be settled with the enterprise's self-owned equity instruments in the future, and the financial instruments are non-derivative instruments, it does not include the contractual obligation to deliver a variable quantity of self-owned equity instruments for settlement; in the case of derivative instruments, the enterprise can only settle the financial instruments by exchanging a fixed amount of self-owned equity instruments for a fixed amount of cash or other financial assets.

3. Accounting treatment method

For financial instruments classified as equity instruments, their interest expenses or dividend distribution shall be treated as the profit distribution of the issuing enterprise, and their repurchase and cancellation shall be treated as changes in equity, and transaction costs such as service fees and commissions shall be deducted from equity;

For financial instruments classified as financial liabilities, their interest expenses or dividend distribution shall be treated in accordance with borrowing costs in principle, and their gains or losses arising from repurchase or redemption shall be included in the current profit or loss, and the transaction costs such as handling fee and commission shall be included in the initial measurement amount of the issued instruments.

(XXXIII) Revenue

The revenue of the Company mainly comes from the sales of auto parts and components.

1. General principles of revenue recognition

The Company has fulfilled its performance obligation in the contract, that is, when the customer obtains the relevant goods or service control, the revenue is recognized according to the transaction prices allocated to the performance obligation.

Performance obligation refers to the commitment in the contract that the Company transfers clearly distinguishable goods or services to the customer.

Obtaining the right of control of the relevant goods means being able to dominate the use of the goods and obtain almost all economic benefits therefrom.

The Company evaluates the contract on the contract commencement date, identifies each single performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period or at a certain time point. If one of the following conditions is met, it is the performance obligation to be fulfilled within a certain period of time, and the Company recognizes the revenue within a certain period of time according to the performance progress: (1) the customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the Company performs the contract; (2) the customer can control the goods under construction during the performance of the Company; (3) the goods produced during the performance of the Company have irreplaceable uses, and the Company has the right to collect payment for the accumulated part that has been completed so far during the entire contract period. Otherwise, the Company will recognize revenue at the time when the customer obtains the right of control of the relevant goods or services.

For performance obligation performed within a certain period of time, the Company shall determine the appropriate performance progress by input method according to the nature of goods and labor service. The output method is to determine the performance progress based on the value of the goods transferred to the customer (the input method is to determine the performance progress based on the company's input to fulfill the performance obligations). When the performance progress cannot be reasonably determined, if the Company's incurred costs are expected to be compensated, the Company will recognize revenue according to the amount of the incurred costs until the performance progress can be reasonably determined.

2. Specific methods of revenue recognition

The Company mainly sells auto parts and components such as sensors and accessories, fuel system accessories, auto interior trim parts, new energy parts and auto thermal management system parts. According to the terms of the sales contract signed between the company and the customer, the sales revenue is recognized when the customer obtains the control right of the relevant goods or services. The details are as follows:

Export business:

(1) Export sales under FOB trade mode

The time of revenue recognition is the point when the customs clearance and export procedures are completed and the goods are delivered to and loaded by the carrier at the named port of shipment. The special export invoice is issued and the revenue is recognized according to the contract, the export declaration form and other information.

(2) Export sales under FCA trade mode

If the customer designates or entrusts the freight forwarder to pick up the goods directly at the factory, the customer designates or entrusts the freight forwarder to complete the customs declaration and export procedures as the revenue recognition time. According to the export declaration form and other materials, the special export invoice shall be issued and the revenue shall be confirmed.

(3) Export under the DDP trade model where the customer is an enterprise in a Chinese free trade zone or bonded area

For the export business of enterprises in Chinese free trade zone or bonded area that deliver goods the customer's destination, the time of revenue recognition is the time after the customer has accepted the goods and the customs declaration formalities has been completed. The revenue is confirmed according to the delivery note, export declaration form and special export invoice confirmed by the customer.

Domestic sales business:

(1) If the customer is responsible for picking up the product, after the product is shipped and the customer or the freight driver entrusted by the customer accepts the product, the Company will issue a sales invoice and confirm the sales revenue based on the signed and approved delivery note;

(2) If the Company is responsible for delivering the product, after the product is delivered to the customer and the customer has inspected and accepted it, the Company will issue a sales invoice and confirm the sales revenue based on the warehouse entry note, receipt or invoicing notice confirmed by the customer;

(3) Under the consignment mode, the Company delivers the products to customers based on their demands, and the customers notify the Company to confirm the receipt of goods when they use them on demand. The Company recognizes the sales revenue according to the actual receipt quantity and the corresponding confirmation notice from customers.

3. Principles for handling revenue of specific transactions

(1) Contracts with condition of sales return

When the customer obtains the relevant the right of control over goods, the revenue is recognized at the amount of the consideration expected to be entitled to receive due to the transfer of goods to the customer (i.e., excluding the amount expected to be refunded due to the return of sales), and the liabilities are recognized at the amount expected to be returned due to the return of sale.

The balance of the book value of the goods expected to be returned when selling the goods after deducting the expected cost (including the impairment of the value of the returned goods) for the recovery of the goods shall be accounted for under the item of "cost for returned goods receivable".

(2) Contracts with quality assurance clauses

Evaluate whether the quality assurance provides a separate service from assuring the customer that the goods sold meet established standard. If the Company provides additional services, such services shall be accounted for as individual performance obligations in accordance with the revenue standards; otherwise, the quality assurance responsibility shall be subject to accounting treatment in accordance with the provisions of the accounting standards for contingency.

(3) Sales contract with customer's additional purchase option

The Company assesses whether the option provides a significant right to the customer. Where significant rights are provided, the transaction prices shall be amortized to the performance obligation as an individual performance obligation, and the corresponding revenue shall be recognized when the customer exercises the purchase option and obtains the relevant the right of control over goods in the future, or when the option is expired. If the separate selling price of the customer's additional purchase option cannot be directly observed, a reasonable estimate shall be made after comprehensively considering the difference between the discount that the customer can obtain by exercising or not exercising the option, the possibility of the customer exercising the option and all other relevant information.

(4) Principal responsible person and agent

The Company determines whether it is the principal responsible person or the agent when engaging in the transaction based on whether it has the right of control of the goods or services before transferring them to the customers. If the Company is able to control the goods or services before transferring the goods or services to the customers, the Company is the principal responsible person, and the revenue is recognized according to the total consideration received or receivable. Otherwise, the Company, as the agent, shall recognize revenue according to the amount of commission or service fee expected to receive, which shall be determined according to the net amount of the total consideration received or receivable after deducting the price payable to other relevant parties.

(5) After-sales repurchase

1) Contracts with repurchase obligations due to forward arrangements with customers: in this case, the customer does not obtain the right of control of the relevant goods at the time of sale, so it is accounted for as a lease transaction or financing transaction. Where the repurchase price is lower than the original selling price, it shall be deemed as lease transactions and carried out in accordance with the relevant provisions of the Accounting Standards for Business Enterprises on lease; if the repurchase price is not lower than the original selling price, it shall be regarded as a financing transaction, and the financial liabilities shall be recognized when the customer's payment is received, and the difference between the payment and the repurchase price shall be recognized as interest expenses, etc. during the repurchase period. If the Company fails to exercise the repurchase right upon expiration, the financial liabilities shall be derecognized when the repurchase right expires, and the revenue shall be recognized at the same time.

2) Contracts for repurchase obligations arising at the request of customers: if the customer is assessed to have significant economic motives, the after-sales repurchase shall be regarded as lease transactions or financing transactions and subject to accounting treatment in accordance with the 1) provisions of this article; otherwise, it will be treated as sales transactions with conditions of sales return.

(XXXIV) Contract expenses

1. Contract performance cost

The Company recognizes the cost incurred for the performance of the contract as an asset at contract performance cost if it does not fall within the scope of other Accounting Standards for Business Enterprises except the revenue standard and meets the following conditions at the same time:

(1) The cost is directly related to a contract currently or expected to be obtained, including direct labor, direct materials, manufacturing overhead (or similar expenses), costs expressly borne by the customer, and other costs incurred solely as a result of the contract.

(2) The cost increases the resources available to the enterprise to fulfill its performance obligations in the future.

(3) The cost is expected to be recovered.

The assets shall be presented in the inventories or other non-current assets according to whether the amortization period exceeds one normal operating cycle at the time of initial recognition.

2. Cost of contract acquisition

The incremental costs incurred by the Company to obtain the contract are expected to be recovered and are recognized as an asset as the contract acquisition cost. Incremental costs are costs that would not have been incurred by the Company if the contract had not been obtained, such as sales commissions. If the amortization period is less than one year, it shall be included in the current profit or loss when it occurs.

3. Amortization of contract expense

The above-mentioned assets related to contract expenses are amortized at the time of fulfilling the performance obligations or in accordance with the progress of fulfilling the performance obligations, and included in the current profit or loss on the same basis as the revenue recognition of the goods or services related to the assets.

4. Amortization of contract expense

For the above-mentioned assets related to contract expense, if the book value is higher than the difference between the remaining consideration expected to be obtained by the Company due to the transfer of the goods related to the asset and the estimated cost to be incurred for the transfer of the relevant goods, the excess shall be made provision for impairment and recognized as asset impairment loss.

After the provision for impairment is made, if the factors of impairment in the previous period change, making the above two differences higher than the book value of the asset, the provision for asset impairment that has been made shall be reversed and included in the current profit or loss, but the book value of the asset after the reversal shall not exceed the book value of the asset on the reversal date under the assumption that no provision for impairment is made.

(XXXV) Government subsidies

1. Type

Government subsidies are monetary and non-monetary assets obtained by the Company from the government for free. Government subsidies are divided into government subsidies related to assets and government subsidies related to income according to the subsidy objects stipulated in relevant government documents.

Government subsidies related to assets are government subsidies that the Company acquires for acquisition, construction, or otherwise forms long-term assets. Government subsidies related to revenue refer to government subsidies other than government subsidies related to assets. Government subsidies related to income refer to those other than government subsidies related to assets.

2. Recognition of government subsidies

If there is evidence at the end of the period that the Company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidies will be recognized according to the amount receivable. In addition, all government subsidies shall be recognized when actually received.

Government grants considered as monetary assets are measured at the amount received or receivable. Government subsidies considered as non-monetary assets are measured at fair value; if the fair value cannot be obtained reliably, it shall be measured at a nominal amount (RMB1). Government grants measured at the nominal amount are directly included in current profit or loss.

3. Accounting treatment method

The Company determines whether a certain type of government subsidies business should be accounted for using the gross amount method or the net amount method based on the substance of the economic business. Under normal circumstances, the Company only selects one method for the same or similar government subsidies business, and consistently applies the method to the business.

Item	Accounting content
Category of policy subsidies accounted for by the total method	All government subsidies except loan discounts
Categories of policy subsidies accounted for by net method	Loan interest discount

Government subsidies related to assets shall be used to offset the book value of the relevant assets or recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they shall be included in the profit or loss by stages in a reasonable and systematic way within the service life of the assets constructed or purchased.

Government subsidies related to income used to compensate the relevant expenses or losses of the enterprise in future periods are recognized as deferred income, and are included in the current profit or loss or offset the relevant costs in the period when the relevant expenses or losses are recognized; if they are used to compensate the relevant expenses or losses incurred by the enterprise, it shall be directly included in the current profit or loss or used to offset the relevant costs when obtained.

Government subsidies related to the daily activities of the enterprise are included in other income or used to offset related costs; government subsidies unrelated to the daily activities of the enterprise are included in non-operating revenue and expenditure.

Relevant borrowing costs offset by government subsidies related to policy-based preferential loan interest discounts; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the actually received loan amount shall be taken as the book-entry value of the loan, and the relevant borrowing costs shall be calculated according to the loan principal and the policy-based preferential interest rate.

When the recognized government subsidies need to be returned, the book value of the assets shall be adjusted if the book value of the relevant assets is offset at the time of initial recognition; if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess shall be included in the current profit or loss; if there is no relevant deferred income, it shall be directly included in the current profit or loss.

(XXXVI) Deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities are calculated and recognized based on the difference (temporary differences) between the tax basis of assets and liabilities and their book value. On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are expected to be settled.

1. Basis for recognizing deferred tax assets

The Company recognizes deferred tax assets arising from deductible temporary differences to the extent of the taxable income that is likely to be obtained to offset the deductible temporary differences, the deductible loss that can be carried forward to future years and the tax deduction. However, deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) the transaction is not a business combination; (2) The transaction does not affect the accounting profit, taxable income or deductible loss when it occurs.

For deductible temporary differences related to investment in associates, the corresponding deferred tax assets shall be recognized if the following conditions are met at the same time: the temporary difference is likely to be reversed in the foreseeable future, and the taxable income used to offset the deductible temporary differences is likely to be obtained in the future.

2. Basis for recognizing deferred tax liabilities

The Company recognizes the taxable temporary differences payable but not paid in the current period and previous periods as deferred tax liabilities. But excluding:

(1) Temporary differences arising from the initial recognition of goodwill;

(2) Temporary differences arising from transactions or events not formed through business combinations, and which neither affect accounting profits nor taxable income (or deductible losses) at the time of occurrence;

(3) For taxable temporary differences related to investments in subsidiaries and associates, the timing of the reversal of the temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

3. Deferred tax assets and deferred tax liabilities are presented at the net amount after offset when the following conditions are met at the same time

(1) The Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis;

(2) Deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer or on different taxpayers, but in each important future period of reversal of deferred tax assets and deferred tax liabilities, the involved taxpayer intends to settle the current income tax assets and current income tax liabilities on a net basis or to obtain assets and settle debts at the same time.

(XXXVII) Lease

On the contract commencement date, the Company evaluates whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if one party transfers the right to control the use of one or more identified assets for a certain period in exchange for consideration.

1. Split-off of lease contract

When the contract contains multiple individual leases at the same time, the Company will split the contract and conduct accounting treatment for each individual lease separately.

When the contract contains both leased and non-leased parts, the Company will split the leased and non-leased parts, the leased part will be accounted for in accordance with the lease standards, and the non-leased part shall be accounted for in accordance with other applicable Accounting Standards for Business Enterprises.

2. Consolidation of lease contract

Two or more contracts involving leases entered into by the Company with the same counterparty or its related party at the same time or at a similar time shall be consolidated into one contract for accounting treatment when one of the following conditions is met:

(1) The two or more contracts are entered into for the overall commercial purpose and constitute a package of transactions, the overall commercial purpose of which cannot be understood without taking them as a whole.

(2) The amount of consideration for one of the two or more contracts is dependent on the pricing or performance of the other contracts.

(3) The right to use the assets transferred by the two or more contracts together constitute a separate lease.

3. Accounting treatment of the Company as a lessee

On the lease commencement date, except for short-term lease and leases of low value assets that apply simplified treatment, the Company recognizes right-of-use assets and lease liabilities for leases.

(1) Short-term lease and leases of low value assets

A short-term lease is a lease that does not include a purchase option and the lease term does not exceed 12 months. Leases of low value assets refer to leases with a lower value when the individual leased asset is a brand new asset.

The Company does not recognize right-of-use assets and lease liabilities for short-term lease and leases of low value assets, and the relevant lease payments are included in the relevant asset costs or current profit or loss in each period of the lease term according to the straight-line method or other systematic and reasonable methods.

(2) See Note (XXIII) and (XXX) for accounting policies for right-of-use assets and lease liabilities.

4. Accounting treatment of the Company as a lessor

(1) Classification of leases

The Company divides leases into financing lease and operating lease on the lease commencement date. A financing lease is a lease that transfers substantially all the risks and rewards associated with the ownership of leased assets, and its ownership may or may not be transferred. Operating lease refers to the leases other than financing lease.

A lease is usually classified as a financing lease by the Company if one or more of the following circumstances exist:

1) At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee.

2) The lessee has the option to purchase the leased asset, and the purchase price is low enough compared with the fair value of the leased asset at the expected exercise of the option, so that it can be reasonably determined that the lessee will exercise the option on the lease commencement date.

3) Although the ownership of the asset is not transferred, the lease term accounts for the majority of the service life of the leased asset.

4) On the lease commencement date, the present value of the lease receipt is almost equal to the fair value of the leased asset.

5) The leased asset is of a special nature and can only be used by the lessee without major modification.

A lease may also be classified as a financing lease by the Company if one or more of the following signs exist:

1) If the lessee cancels the lease, the lessee shall bear the loss caused to the lessor by the cancellation of the lease.

2) Gains or losses arising from the fair value fluctuation of the residual value of the asset are attributable to the lessee.

3) The lessee has the ability to continue the lease for the next period at a rent far below the market level.

(2) Accounting treatment of financing lease

On the lease commencement date, the Company recognizes the financing lease receivable for the financing lease and derecognizes the financing lease asset.

At the initial measurement of the financing lease receivable, the sum of the unguaranteed residual value and the present value of the lease receipt not received on the lease commencement date discounted at the interest rate implicit in lease is taken as the book-entry value of the financing lease receivable. Lease receipt includes:

1) Fixed payments and substantial fixed payments after deducting the amount related to lease incentive;

2) Variable lease payments depending on an index or ratio;

3) Under the circumstance that it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;

4) The lease term reflects that the lessee will exercise the lease termination option, and the lease receipt includes the amount to be paid by the lessee for exercising the lease termination option;

5) Guaranteed residual value provided by the lessee, a party related to the lessee, and an independent third party with the financial ability to perform the guarantee obligation to the lessor.

The Company calculates and recognizes the interest income for each period within the lease term according to the fixed interest rate implicit in lease, and the variable lease payments obtained that are not included in the measurement of net lease investment are included in the current profit or loss when actually incurred.

(3) Accounting treatment of operating leases

The Company recognizes the lease receipt of operating leases as rental revenue by using the straight-line method or other systematic and reasonable methods in each period of the lease term; the initial direct costs related to operating leases are amortized on the same basis as the recognition of rental revenue during the lease term and included in the current profit or loss by stages; the variable lease payments related to operating leases that are not included in the lease receipt shall be included in the current profit or loss when they actually occur.

5. Sale-leaseback transaction

If the transfer of assets in the sale-leaseback transaction is a sale, the Company measures the right-of-use assets arising from the sale-leaseback at the portion of the original asset book value related to the right-of-use obtained from the leaseback, and recognizes the relevant gains or losses only in respect of the right transferred to the lessor. If the fair value of the sales consideration differs from the fair value of the asset, or the lessor does not charge rent at the market price, the Company accounts for the amount of the sales consideration below the market price as prepaid rent and the amount above the market price as additional financing provided by the lessor to the lessee. at the same time, the relevant sales gains or losses are adjusted according to the fair value.

If the transfer of assets in the sale-leaseback transaction is not a sale, the Company continues to recognize the transferred assets and recognizes a financial liability equal to the revenue transferred.

If the transfer of assets in the sale-leaseback transaction is a sale, the Company shall conduct corresponding accounting treatment according to the asset purchase, and conduct accounting treatment for the asset lease according to the lease standards. If the fair value of the sales consideration differs from the fair value of the asset or the Company does not charge rent at the market price, the Company accounts for the amount of the sales consideration below the market price as rent received in advance and the amount above the market price as additional financing provided by the Company to the lessee; at the same time, the rental revenue shall be adjusted according to the market price.

If the transfer of assets in the sale-leaseback transaction is not a sale, the Company recognizes a financial asset equal to the revenue of the transfer.

(XXXVIII) Discontinued operations

The Company recognizes the component that meets one of the following conditions and has been disposed of or classified as held for sale and can be separately distinguished as the component of discontinued operations:

(1) The component represents an independent major business or a separate major operating area.

(2) The component is a part of an associated plan to dispose of an independent major business or a separate major business area.

(3) The component is a subsidiary acquired for resale.

Operating profit or loss such as impairment loss and reversal amount of discontinued operations and disposal profit or loss are presented in the income statement as gain or loss from discontinued operations.

(XXXIX) Repurchase of the Company's shares

The consideration and transaction costs paid in the repurchase of the Company's shares reduce the shareholders' equity, and no gains or losses is recognized when the Company's shares are repurchased, transferred or cancelled.

When the Company transfers treasury shares, the difference between the actual amount received and the book value of the treasury shares shall be included in the capital reserve. If the capital reserve is insufficient to offset, the surplus reserve and undistributed profits shall be offset. When the Company cancels the treasury shares, the share capital shall be reduced according to the par value of the shares and the number of shares canceled, and the capital reserve shall be offset according to the difference between the book balance of the canceled treasury shares and the par value. If the capital reserve is insufficient to offset, the surplus reserve and undistributed profits shall be offset.

(XL) Work safety expenses

The work safety expenses withdrawn by the Company in accordance with national regulations shall be included in the cost of related products or the current profit or loss, and shall be recorded in the item of "special reserve" at the same time. When withdrawn work safety expenses are used, if they are expense expenditures, such costs shall be directly deducted from special reserves. If fixed assets are formed, the expenditure incurred shall be collected through the "construction in progress" account, and shall be recognized as fixed assets when the safety project is completed and reaches the intended usable state; meanwhile, special reserves shall be offset according to the costs of fixed assets and the accumulated depreciation of the same amount shall be recognized. Depreciation of such fixed assets will not be made in subsequent periods.

(XLI) Changes in significant accounting policies and accounting estimates

1. Adjustments for changes in significant accounting policies

(1) Interpretation No. 18 of the Accounting Standards for Business Enterprises

The Ministry of Finance issued the Interpretation No. 18 of the Accounting Standards for Business Enterprises (CK [2024] No. 24) (hereinafter referred to as "Interpretation No. 18") on December 31, 2024.

Interpretation No. 18 stipulates that when accounting for estimated liabilities arising from warranty-type quality assurance that does not belong to an individual performance obligation, the enterprise shall, in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies, debit the "primary business cost" and "other business cost" according to the determined estimated liabilities, and credit the "estimated liabilities", and correspondingly present them in the "operating cost" in the income statement and "other current liabilities", "non-current liabilities maturing within one year", "estimated liabilities" and other items in the balance sheet.

The above accounting treatment provisions shall come into force as of the date of issuance, and the Company has implemented them from January 1, 2024.

The impact of the implementation of the above accounting policies on the consolidated income statement for 2024 is as follows:

Consolidated income statement items (2024)	**Amount affected**
Selling expenses	-16,520,821.15
Operating costs	16,520,821.15

The impact of the implementation of the above accounting policies on the consolidated income statement for 2023 is as follows:

Consolidated income statement items (2023)	**Before adjustment**	**Adjustment amount**	**After adjustment**
Selling expenses	6,045,616.93	-72,866.96	5,972,749.97
Operating costs	854,303,370.87	72,866.96	854,376,237.83

2. Changes in significant accounting estimates

There were no changes in significant accounting estimates during the reporting period.

IV. TAXATION

(I) Main tax type and tax rate

Tax type	Tax basis/revenue type	Tax rate	Remark
Value added tax (VAT)	Domestic sales; provision of processing, repair and maintenance labor service; and imported goods, etc.; provision of tangible movable property leasing services	13%	
	Provision of construction and real estate leasing services, sales of real estate and transfer of land use right	9%	
	Other taxable sales services	5%, 6%	
	Sales of export goods other than oil and gas; cross-border taxable sales and services	0%	
Urban maintenance and construction tax	Turnover tax payable	7%, 5%	
Enterprise income tax	Taxable income	15% or 25%, etc.	
Property taxes	70% of the original value of the property (or rental revenue) is used as the tax base	1.2% (12%)	

Description of income tax rate of different taxpayers:

Name of taxpayer	Income tax rate
The Company	15%
Olive (Europe) Holdings S.à r.l.	17%
Yantai Olive Pipeline Co., Ltd.	25%
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	15%
Wuhan Olive Auto Parts Co., Ltd.	25%
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	25%
Jiangsu Ruishi Sensing Technology Co., Ltd.	25%
Kunshan Olive Auto Parts Co., Ltd.	Small and micro enterprises
Changzhou Olive Auto Parts and Components Co., Ltd.	25%
Jiangsu Weihong Semiconductor New Materials Co., Ltd.	25%
Bonaire Automotive Electrical Systems Co., Ltd.	15%
Bonaire Automotive Electrical System (Anqing) Co., Ltd.	25%

(II) Preferential tax policies and basis

1. On December 13, 2020, Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration recognized the Company as a high-tech enterprise and issued a high-tech enterprise certificate (certificate No.: GR202332009194), which entitled the Company to a preferential corporate income tax rate of 15% (2023-2025).

2. On December 13, 2023, Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration the Company's subsidiary, Jiangsu Schuerholz Precision Metal Forming Co., Ltd., as a high-tech enterprise and issued a high-tech enterprise certificate (certificate No.: GR202332019132), which entitled the Company to a preferential corporate income tax rate of 15% (2023-2025).

3. According to the Announcement on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Business Entities (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 6), the Announcement on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Entities (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 12) and the Announcement on the Implementation of Preferential Corporate Income Tax Policies for Small Low-profit Enterprises (Announcement of the State Taxation Administration [2023] No. 6), the taxable income of small low-profit enterprises shall be calculated at 25% and the corporate income tax shall be paid at a tax rate of 20%, which shall continue to be implemented until December 31, 2027. In the current period, Kunshan Olive Auto Parts Co., Ltd., a subsidiary of the Company, meets the confirmation criteria of small low-profit enterprises and enjoys the preferential corporate income tax policy for small low-profit enterprises, with an actual tax rate of 5% this year.

4. On October 16, 2023, the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance and Anhui Provincial Tax Service, State Taxation Administration recognized the Company's subsidiary, Bonaire Automotive Electrical Systems Co., Ltd., as a high-tech enterprise and issued a high-tech enterprise certificate (certificate No.: GR202334001839), which entitled the Company to a preferential corporate income tax rate of 15% (2023-2025).

V. NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, the following amounts are expressed in RMB. The end of the period refers to December 31, 2024, the beginning of the period refers to January 1, 2024, and the end of the previous period refers to December 31, 2023).

Note 1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	58,436.01	135,379.66
Bank deposit	210,648,422.54	93,616,929.08
Other monetary funds	63,711,601.95	1,414,894.81
Total	274,418,460.50	95,167,203.55
Including: total amount deposited abroad	3,641,981.54	3,927,552.84

The details of the restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Bank acceptance bill margin	62,503,108.80	1,405,119.98
L/C guarantee deposit	1,200,000.00	
Total	63,703,108.80	1,405,119.98

Note: As of December 31, 2024, the Company issued a L/C of EUR 136,323.00 with RMB1,200,000.00 bank deposit as pledge; and issued a bank acceptance bill of RMB312,142,765.80 with the bank deposit of RMB62,503,108.80 as pledge.

Note 2. Financial assets held for trading

Item	Ending balance	Beginning balance
Subtotal of financial assets classified as measured at fair value through current profit or loss	438,086,005.33	481,459,780.42
Others	438,086,005.33	481,459,780.42
Subtotal of financial assets designated to be measured at fair value through current profit or loss		
Total	438,086,005.33	481,459,780.42

Note 3. Notes receivable

1. Notes receivable presented by category

Item	Ending balance	Beginning balance
Bank acceptance bills	64,418,767.69	39,731,402.99
Total	64,418,767.69	39,731,402.99

As of December 31, 2024, the Company believes that there is no significant credit risk in the notes receivable held and no significant losses will be incurred due to the default of banks or other acceptors.

2. The Company's pledged notes receivable at the end of the period

Item	Amount pledged at the end of the period
Bank acceptance bills	43,093.57
Total	43,093.57

3. Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills		29,983,612.04
Commercial acceptance bills		10,100,000.00
Total		40,083,612.04

Note 4. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Ending balance	Beginning balance
Within 1 year	1,077,581,668.72	495,578,866.75
1-2 years	10,561,019.71	1,169,324.55
2-3 years	777,792.45	59,370.04
3-4 years	31,519.30	31,500.00
4-5 years	179,143.59	
Over 5 years	13,826,684.70	8,909.85
Sub-total	1,102,957,828.47	496,847,971.19
Less: provision for bad debts	100,582,894.30	26,196,027.72
Total	1,002,374,934.17	470,651,943.47

2. Disclosure by method for provision for bad debts

	Ending balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Accounts receivable with provision for bad debts made on an individual basis	47,605,207.19	4.32	47,605,207.19	100.00	–
Accounts receivable with provision for bad debts accrued on a portfolio basis	1,055,352,621.28	95.68	52,977,687.11	5.02	1,002,374,934.17
Including: aging portfolio	1,055,352,621.28	95.68	52,977,687.11	5.02	1,002,374,934.17
Total	1,102,957,828.47	100.00	100,582,894.30		1,002,374,934.17

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Accounts receivable with provision for bad debts made on an individual basis	1,330,124.28	0.27	1,330,124.28	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	495,517,846.91	99.73	24,865,903.44	5.02	470,651,943.47
Including: aging portfolio	495,517,846.91	99.73	24,865,903.44	5.02	470,651,943.47
Total	496,847,971.19	100.00	26,196,027.72		470,651,943.47

3. Accounts receivable with provision for bad debts made on an individual basis

	Ending balance			
Entity name	Book balance	Provision for bad debts	Provision ratio (%)	Reasons for provision
Hozon New Energy Automobile Co., Ltd.	21,094,165.26	21,094,165.26	100	It has ceased production; it is expected to be difficult to recover
Qoros Automotive Co., Ltd.	5,386,766.26	5,386,766.26	100	There is no property available for enforcement and it is expected to be difficult to recover
Chengdu Dayun Automobile Co., Ltd. Yuncheng Branch	4,313,728.11	4,313,728.11	100	It has filed for bankruptcy, and it is expected to be difficult to recover

Entity name	Ending balance Book balance	Provision for bad debts	Provision ratio (%)	Reasons for provision
Human Horizons (Shandong) Technology Co., Ltd.	3,800,669.87	3,800,669.87	100	It has ceased production, and has been listed as a dishonest person subject to enforcement; it is expected to be difficult to recover
Tianjin Hawtai Motor Car Body Manufacturing Co., Ltd.	3,548,770.00	3,548,770.00	100	There is no property available for enforcement and it is expected to be difficult to recover
Jiangsu Saleen Automotive Technology Co., Ltd.	3,348,629.56	3,348,629.56	100	There is no property available for enforcement and it is expected to be difficult to recover
Jiangxi Yiwei Automotive Manufacturing Co., Ltd.	2,087,132.22	2,087,132.22	100	It has ceased production, and has been listed as a dishonest person subject to enforcement; it is expected to be difficult to recover
Human Horizons (Jiangsu) Technology Co., Ltd.	1,633,537.62	1,633,537.62	100	It has ceased production, and has been listed as a dishonest person subject to enforcement; it is expected to be difficult to recover
Summary of other small amounts	2,391,808.29	2,391,808.29	100	It is expected to be difficult to recover
Total	47,605,207.19	47,605,207.19		

4. Accounts receivable with provision for bad debts accrued on a portfolio basis

(1) Aging portfolio

Aging	Ending balance Book balance	Provision for bad debts	Provision ratio (%)
Within 1 year	1,052,173,775.35	52,608,688.76	5.00
1-2 years	2,928,045.01	292,804.50	10.00
2-3 years	178,871.77	35,774.35	20.00
3-4 years	31,519.30	15,759.65	50.00
4-5 years	31,500.00	15,750.00	50.00
Over 5 years	8,909.85	8,909.85	100.00
Total	1,055,352,621.28	52,977,687.11	

5. *Provision for bad debts accrued, recovered or reversed in the current period*

Type	Beginning balance	Changes in the current period: Provision	Recovery or reversal	Write-off	Other changes	Ending balance
Accounts receivable with provision for bad debts made on an individual basis	1,330,124.28	31,198,223.75	86,506.39	31,604,734.28	46,768,099.83	47,605,207.19
Accounts receivable with provision for bad debts accrued on a portfolio basis	24,865,903.44	4,131,418.41	6,655,635.89	94,400.00	30,730,401.15	52,977,687.11
Including: aging portfolio	24,865,903.44	4,131,418.41	6,655,635.89	94,400.00	30,730,401.15	52,977,687.11
Total	26,196,027.72	35,329,642.16	6,742,142.28	31,699,134.28	77,498,500.98	100,582,894.30

Note: Other changes are due to the change of the consolidation scope in the current period.

6. *Actual accounts receivable written off during the reporting period*

Item	Amount for write-off
Actual accounts receivable written off	31,699,134.28

The write-off of significant accounts receivable is as follows:

Entity name	Nature of accounts receivable	Amount for write-off	Reasons for write-off	Write-off procedures performed	Whether it is generated by related party transactions
Jiangsu Jintan Automobile Industry Co., Ltd.	Payment for goods	23,599,301.62	There is no property available for enforcement, and the joint and several guarantor has filed for bankruptcy; it cannot be recovered	Approval of the management	No
Linyi Zotye Auto Parts Manufacturing Co., Ltd.	Payment for goods	7,177,102.04	It has filed for bankruptcy, and it cannot be recovered	Approval of the management	No
Total		30,776,403.66			

7. *Top five entities by ending balance of accounts receivable and contract assets by debtor*

Entity name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balances of accounts receivable and contract assets	Proportion to total amount of ending balance of accounts receivable and contract assets (%)	Ending balance of provision for bad debts of accounts receivable and provision for impairment of contract assets
No. 1	308,683,643.70		308,683,643.70	27.96	15,434,182.19
No. 2	91,770,006.32		91,770,006.32	8.31	4,590,094.32
No. 3	56,733,840.00		56,733,840.00	5.14	2,836,692.00
No. 4	45,358,927.64		45,358,927.64	4.11	2,267,946.38
No. 5	42,899,408.15		42,899,408.15	3.89	2,144,970.41
Total	545,445,825.81		545,445,825.81	49.41	27,273,885.30

Note 5. Receivables financing

1. Receivables financing

Item	Ending balance	Beginning balance
Bank acceptance bills	475,568,241.52	51,507,094.34
Total	475,568,241.52	51,507,094.34

2. Increase/decrease and change in fair value of receivables financing in the current period

Item	Beginning balance		Increase/decrease in the current period		Ending balance	
	Cost	Changes in fair value	Cost	Changes in fair value	Cost	Changes in fair value
Bank acceptance bills	51,507,094.34		424,061,147.18		475,568,241.52	
Total	51,507,094.34		424,061,147.18		475,568,241.52	

The Company believes that the receivables financing measured at fair value through other comprehensive income have similar fair value and book value due to the short remaining period.

3. Provision for bad debts

The Company believes that the credit rating of the acceptance bank of the bank acceptance bills held is high, and there is no significant credit risk, so no provision for impairment is made.

4. Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	318,140,943.33	
Total	318,140,943.33	

Note 6. Advances to suppliers

1. Advances to suppliers presented by aging

Aging	Ending balance		Beginning balance	
	Amount	Ratio *(%)*	Amount	Ratio *(%)*
Within 1 year	22,035,764.79	79.94	23,090,430.31	91.35
1-2 years	4,937,739.01	17.91	1,986,141.46	7.86
2-3 years	587,654.91	2.13	190,783.61	0.75
Over 3 years	3,391.82	0.02	10,338.60	0.04
Total	27,564,550.53	100.00	25,277,693.98	100.00

2. No prepayments with aging of more than 1 year that were significant in amount

3. Top five prepayments in terms of their ending balance presented by the payee

Entity name	**Ending balance**	**Proportion in total advances to suppliers** *(%)*	**Time of advance payment**	**Reasons for no settlement**
No. 1	2,978,427.34	10.81	Year 2024	Advance payment for materials according to the contract
No. 2	2,667,061.11	9.68	Year 2024	Prepayment for molds according to the contract
No. 3	2,232,005.07	8.10	Year 2024	Advance payment for materials according to the contract
No. 4	2,027,437.66	7.36	2023, 2024	Prepayment for molds according to the contract
No. 5	1,579,818.72	5.73	2023, 2024	Prepayment for molds according to the contract
Total	11,484,749.90	41.68		

Note 7. Other receivables

Item	**Ending balance**	**Beginning balance**
Interest receivable	1,423,063.59	1,102,984.18
Dividends receivable	8,787,391.06	6,138,854.44
Other receivables	17,909,382.87	2,743,964.03
Total	28,119,837.52	9,985,802.65

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

(I) Interest receivable

1. Classification of interest receivable

Item	**Ending balance**	**Beginning balance**
Schürholz GmbH & Co. KG Stanztechnik	1,423,063.59	1,102,984.18
Total	1,423,063.59	1,102,984.18

2. Other notes to interest receivable

(1) As of December 31, 2024, the Company believes that there is no need to make provision for expected credit impairment on the interest receivable.

(2) According to the Articles of Association of the subsidiary's participated company Schürholz GmbH & Co. KG Stanztechnik, a loan account shall be maintained for each shareholder in addition to the fixed capital, in which withdrawals, interest, dividends and other credits and debits are recorded. The interest of this loan account is calculated at a rate 2.00% higher than the benchmark interest rate.

(II) Dividends receivable

1. Dividends receivable

Investee	Ending balance	Beginning balance
Schürholz GmbH & Co.KG Stanztechnik	8,787,391.06	6,138,854.44
Total	8,787,391.06	6,138,854.44

2. Significant dividends receivable with aging more than 1 year

Investee	Ending balance	Aging	Reason for non-recovery	Whether there is impairment and the reasons
Schürholz GmbH & Co. KG Stanztechnik	5,878,356.18	Over 1 year	Agreement	No
Total	5,878,356.18			

3. Other notes to the dividends receivable

As of December 31, 2024, the Company believes that there is no need to make provision for expected credit impairment on the dividends receivable.

(III) Other receivables

1. Disclosure by aging

Aging	Ending balance	Beginning balance
Within 1 year	16,461,511.26	2,224,755.58
1-2 years	2,131,593.84	153,131.98
2-3 years	54,931.98	609,534.30
3-4 years	604,734.30	10,000.00
4-5 years	12,400.00	
Over 5 years	671,010.28	644,910.28
Sub-total	19,936,181.66	3,642,332.14
Less: provision for bad debts	2,026,798.79	898,368.11
Total	17,909,382.87	2,743,964.03

2. Classification by nature of payment

Nature of payment	Ending balance	Beginning balance
Security deposit	3,591,622.64	1,919,800.00
Petty cash	417,467.18	58,925.84
Advances in lieu	334,651.82	315,501.90
Fund borrowing	13,653,500.00	1,000,000.00
Others	1,938,940.02	348,104.40
Sub-total	19,936,181.66	3,642,332.14
Less: provision for bad debts	2,026,798.79	898,368.11
Total	17,909,382.87	2,743,964.03

3. *Disclosure by three stages of impairment of financial assets*

Item	Ending balance Book balance	Provision for bad debts	Book value	Beginning balance Book balance	Provision for bad debts	Book value
First stage						
Second stage	19,658,271.38	1,748,888.51	17,909,382.87	3,364,421.86	620,457.83	2,743,964.03
Third stage	277,910.28	277,910.28	–	277,910.28	277,910.28	–
Total	19,936,181.66	2,026,798.79	17,909,382.87	3,642,332.14	898,368.11	2,743,964.03

4. *Disclosure by method for provision for bad debts*

	Ending balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Other receivables with provision for bad debts made on an individual basis	277,910.28	1.39	277,910.28	100.00	–
Other receivables with provision for bad debts made on a portfolio basis	19,658,271.38	98.61	1,748,888.51	8.90	17,909,382.87
Including: aging portfolio	19,658,271.38	98.61	1,748,888.51	8.90	17,909,382.87
Total	19,936,181.66	100.00	2,026,798.79		17,909,382.87

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio *(%)*	Amount	Provision ratio *(%)*	Book value
Other receivables with provision for bad debts made on an individual basis	277,910.28	7.63	277,910.28	100.00	
Other receivables with provision for bad debts made on a portfolio basis	3,364,421.86	92.37	620,457.83	18.44	2,743,964.03
Including: aging portfolio	3,364,421.86	92.37	620,457.83	18.44	2,743,964.03
Total	3,642,332.14	100.00	898,368.11		2,743,964.03

5. *Other receivables with provision for bad debts made on an individual basis*

Entity name	Ending balance Book balance	Provision for bad debts	Provision ratio *(%)*	Reasons for provision
Shanghai Dizai'en Mould & Plastic Technology Co., Ltd.	277,910.28	277,910.28	100.00	The debtor is listed as a untrustworthy person
Total	277,910.28	277,910.28		

6. *Other receivables with provision for bad debts made on a portfolio basis*

(1) Aging portfolio

Name of portfolios	Book balance	Ending balance Provision for bad debts	Provision ratio *(%)*
Within 1 year	16,461,511.26	823,075.57	5.00
1-2 years	2,131,593.84	213,159.39	10.00
2-3 years	54,931.98	10,986.40	20.00
3-4 years	604,734.30	302,367.15	50.00
4-5 years	12,400.00	6,200.00	50.00
Over 5 years	393,100.00	393,100.00	100.00
Total	19,658,271.38	1,748,888.51	

7. *Provision for bad debts of other receivables*

Provision for bad debts	First stage Expected credit loss for the next 12 months	Second stage Expected credit loss over the whole life (without credit impairment)	Third stage Expected credit loss over the whole life (with credit impairment)	Total
Beginning balance		620,457.83	277,910.28	898,368.11
Beginning balance in the current period	–	–	–	–
– Transfer to the second stage				
– Transfer to the third stage				
– Reversal to the second stage				
– Reversal to the first stage				
Provision in the current period		1,004,417.82		1,004,417.82
Reversal in the current period		-279,529.91		-279,529.91
Charge-off in the current period				
Write-off in the current period				
Other changes		403,542.77		403,542.77
Ending balance		1,748,888.51	277,910.28	2,026,798.79

8. *No other receivables actually written off in the current period*

9. Top five other receivables in terms of ending balance collected by the debtor

Entity name	Nature of payment	Ending balance	Aging	Proportion in the ending balance of other receivables (%)	Ending balance of provision for bad debts
No. 1	Fund borrowing	4,500,000.00	Within 1 year	22.57	225,000.00
No. 2	Fund borrowing	3,500,000.00	Within 1 year	17.56	175,000.00
No. 3	Security deposit	1,846,600.00	Within 1 year, 1-4 years	9.26	394,660.00
No. 4	Fund borrowing	1,800,000.00	Within 1 year	9.03	90,000.00
No. 5	Fund borrowing	1,500,000.00	Within 1 year	7.52	75,000.00
Total		13,146,600.00		65.94	959,660.00

Note 8. Inventories

1. Classification of inventory

Item	Ending balance			Beginning balance		
	Book balance	Provision for inventory depreciation reserve/provision for impairment of contract performance costs	Book value	Book balance	Provision for inventory depreciation reserve/provision for impairment of contract performance costs	Book value
Raw materials	89,479,695.75	6,119,976.92	83,359,718.83	61,678,886.62	2,329,655.97	59,349,230.65
Products in progress	3,750,929.21		3,750,929.21	1,209,612.05		1,209,612.05
Stock commodities	107,562,049.53	9,484,376.53	98,077,673.00	59,277,353.25	2,149,833.79	57,127,519.46
Dispatched goods	34,287,371.83	663,546.83	33,623,825.00	11,370,938.53		11,370,938.53
Entrusted processing materials	30,713,985.98		30,713,985.98	20,690,966.32		20,690,966.32
Circular materials	971,350.17		971,350.17	1,015,797.54		1,015,797.54
Self-manufactured semi-finished products	16,758,270.68	1,530,979.45	15,227,291.23	9,439,574.01	651,211.12	8,788,362.89
Total	283,523,653.15	17,798,879.73	265,724,773.42	164,683,128.32	5,130,700.88	159,552,427.44

2. Provision for inventory depreciation reserve and provision for impairment of contract performance costs

Item	Beginning balance	Increase in the current period		Decrease in the current period			Ending balance
		Provision	Others	Reversal	Write-off	Others	
Raw materials	2,329,655.97	2,632,907.76	2,489,684.24		1,332,271.05		6,119,976.92
Stock commodities	2,149,833.79	7,672,587.81	1,777,029.33		2,115,074.40		9,484,376.53
Dispatched goods		663,546.83					663,546.83
Self-manufactured semi-finished products	651,211.12	721,859.40	415,768.25		257,859.32		1,530,979.45
Total	5,130,700.88	11,690,901.80	4,682,481.82		3,705,204.77	–	17,798,879.73

Notes to provision for inventory depreciation and provision for impairment of contract performance costs: other increases are due to changes in the consolidation scope in the current period.

Note 9. Contract assets

1. Contract assets

Item	Ending balance			Beginning balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Contract quality guarantee deposit for mold development fee	938,129.00	219,739.95	718,389.05			
Total	938,129.00	219,739.95	718,389.05			

2. Provision for impairment of contract assets in the current period

Item	Beginning balance	Changes in the current period				Ending balance
		Provision	Reversal	Resale or write-off	Other changes	
Contract quality guarantee deposit for mold development fee		207,095.25			12,644.70	219,739.95
Total		207,095.25			12,644.70	219,739.95

Note 10. Non-current assets maturing within one year

Item	Ending balance	Beginning balance
Investment cost and interest receivable of certificate of deposit	33,082,583.33	
Total	33,082,583.33	

Note 11. Other current assets

1. Other current assets presented by item

Item	Ending balance	Beginning balance
Value-added tax credit	7,103,736.34	6,250,178.22
Investment cost of certificate of deposit	404,251,996.15	662,914,397.85
Interest receivable of certificate of deposit	8,724,726.07	15,912,466.03
Deferred expenses	221,167.80	543,590.56
Prepaid taxes	21,847.92	
Total	420,323,474.28	685,620,632.66

Note 12. Long-term equity investments

Investee	Beginning balance	Increase/decrease in the current period Additional investment	Reduced investment	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income
I. Joint ventures					
Sub-total					
II. Associates					
Schürholz GmbH	102,069.87			808.17	
Schürholz GmbH & Co. KG Stanztechnik	54,477,251.03			3,964,655.26	
Schürholz Polska Sp z o.o.	17,940,782.60			2,629,034.10	281,344.74
Bonaire Automotive Electrical Systems Co., Ltd.	171,456,161.49			19,094,355.62	
Sub-total	243,976,264.99		–	25,688,853.15	281,344.74
Total	243,976,264.99		–	25,688,853.15	281,344.74

Continued:

Investee	Increase/decrease in the current period Changes in other equity	Cash dividends or profits declared and distributed	Provision for impairment	Others	Ending balance	Balance of provision for impairment as at the end of the period
I. Joint ventures						
Sub-total						
II. Associates						
Schürholz GmbH		–		-4,348.79	98,529.25	
Schürholz GmbH & Co. KG Stanztechnik		-2,973,491.55		-2,333,191.98	53,135,222.76	
Schürholz Polska Sp z o.o.		–		-824,393.91	20,026,767.53	
Bonaire Automotive Electrical Systems Co., Ltd.	-562,043.98			-189,988,473.13	–	
Sub-total	-562,043.98	-2,973,491.55	–	-193,150,407.81	73,260,519.54	
Total	-562,043.98	-2,973,491.55	–	-193,150,407.81	73,260,519.54	

Description of long-term equity investments:

In the current period, the Company acquired 24% equity of Bonaire Automotive Electrical Systems Co., Ltd. held by Xuqing Co., Ltd. at a consideration of RMB111,848,200.00. After the acquisition, the Company held 61.50% equity of Bonaire Automotive Electrical Systems Co., Ltd. and Bonaire Automotive Electrical Systems Co., Ltd. became a controlled subsidiary of the Company. Consequently, the Company changed its accounting method for Bonaire Automotive Electrical Systems Co., Ltd. (formerly an associate) from the equity method to the cost method. On the combination date, the Company recognized the book value of its original 37.50% equity in Bonaire Automotive Electrical Systems Co., Ltd. (RMB189,988,473.13) and the new equity investment cost (RMB111,848,200.00) as the initial investment cost of the long-term equity investments under the cost method.

Note 13. Other non-current financial assets

Item	Ending balance	Beginning balance
Investments in equity instruments	39,760,015.45	39,644,275.49
Total	39,760,015.45	39,644,275.49

Note 14. Fixed assets

1. Fixed assets

Item	Houses and buildings	Machinery equipment	Means of transportation	Electronic equipment	Other equipment	Total
I. Total original book value						
1. Beginning balance	143,189,556.77	289,183,066.94	5,388,646.37	13,422,805.17	55,926,246.13	507,110,321.38
2. Increase in the current period	159,304,976.32	212,578,545.45	4,899,096.99	13,114,335.85	63,385,940.03	453,282,894.64
Purchase	–	32,121,552.16	2,008,782.30	6,859,757.63	6,674,755.39	47,664,847.48
Transfer from construction in progress	96,033,064.39	97,773,232.88	–		5,301,497.97	199,107,795.24
Business combination not under common control	63,271,911.93	82,683,760.41	2,890,314.69	6,254,578.22	51,409,686.67	206,510,251.92
3. Decrease in the current period	–	5,340,185.59	802,479.70	5,100.00	6,721,856.00	12,869,621.29
Disposal or scrapping	–	5,340,185.59	802,479.70	5,100.00	6,721,856.00	12,869,621.29
4. Ending balance	302,494,533.09	496,421,426.80	9,485,263.66	26,532,041.02	112,590,330.16	947,523,594.73
II. Accumulated depreciation						
1. Beginning balance	35,434,358.27	133,311,283.95	3,439,061.40	7,141,434.57	28,278,461.12	207,604,599.31
2. Increase in the current period	35,015,349.03	59,087,348.07	2,121,738.62	6,209,701.73	35,748,626.12	138,182,763.57
Provision in the current period	9,950,450.63	26,699,208.91	1,029,093.55	2,843,825.02	11,568,138.15	52,090,716.26
Business combination not under common control	25,064,898.40	32,388,139.16	1,092,645.07	3,365,876.71	24,180,487.97	86,092,047.31
3. Decrease in the current period	–	4,324,005.66	761,911.41	2,645.20	1,979,916.55	7,068,478.82
Disposal or scrapping	–	4,324,005.66	761,911.41	2,645.20	1,979,916.55	7,068,478.82
4. Ending balance	70,449,707.30	188,074,626.36	4,798,888.61	13,348,491.10	62,047,170.69	338,718,884.06
III. Provision for impairment						
1. Beginning balance		930,685.22				930,685.22
2. Increase in the current period		90,465.73	30,501.94	14,693.49	6,318,947.54	6,454,608.70
Provision in the current period						
Business combination not under common control		90,465.73	30,501.94	14,693.49	6,318,947.54	6,454,608.70
3. Decrease in the current period			132.03	8.90	1,970,582.21	1,970,723.14
4. Ending balance	–	1,021,150.95	30,369.91	14,684.59	4,348,365.33	5,414,570.78
IV. Book value						
1. Book value as at the end of the period	232,044,825.79	307,325,649.49	4,656,005.14	13,168,865.33	46,194,794.14	603,390,139.89
2. Book value as at the beginning of the period	107,755,198.50	154,941,097.77	1,949,584.97	6,281,370.60	27,647,785.01	298,575,036.85

2. Temporarily idle fixed assets at the end of the period

Item	Original book value	Accumulated depreciation	Provisions for impairment	Book value	Remark
Machinery equipment	1,176,106.19	186,615.66	930,685.22	58,805.31	
Other equipment	7,019,349.53	2,470,203.48	4,203,075.42	346,070.63	
Total	8,195,455.72	2,656,819.14	5,133,760.64	404,875.94	

3. Fixed assets without certificate of title at the end of the period

Item	Book value	Reason for failure to properly handle the certificates of title
Houses and buildings	92,752,937.54	New plant building in the current period, under processing
Total	92,752,937.54	

Note 15. Construction in progress

1. Construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Nanyuan Factory Construction Project	56,103,643.20		56,103,643.20	60,249,983.74		60,249,983.74
Equipment to be installed and others	5,963,114.36		5,963,114.36			
Total	62,066,757.56		62,066,757.56	60,249,983.74		60,249,983.74

2. Changes in significant construction in progress in the current period

Project name	Beginning balance	Increase in the current period	Fixed assets transferred in the current period	Other decreases in the current period	Ending balance
Nanyuan Factory Construction Project	60,249,983.74	167,023,009.50	171,169,350.04		56,103,643.20
Total	60,249,983.74	167,023,009.50	171,169,350.04		56,103,643.20

Continued:

Project name	Budget amount *(RMB10,000)*	Proportion of project investment in budget *(%)*	Progress of construction *(%)*	Accumulated capitalization amount of interest	Including: Capitalized amount of interest in the current period	Capitalization rate of interest in this period *(%)*	Capital source
Nanyuan Factory Construction Project	35,000.00	83.79	85.00				Raised funds/ self-owned funds
Total							

Note 16. Right-of-use assets

Item	Houses and buildings	Total
I. Original book value		
1. Beginning amount	30,157,636.64	30,157,636.64
2. Increase in the current period	15,225,721.53	15,225,721.53
Lease	5,680,854.05	5,680,854.05
Business combination not under common control	9,544,867.48	9,544,867.48
3. Decrease in the current period	8,013,108.48	8,013,108.48
Lease expiration	2,389,405.76	2,389,405.76
Disposal	5,623,702.72	5,623,702.72
4. Ending balance	37,370,249.69	37,370,249.69
II. Accumulated depreciation		
1. Beginning balance	9,749,670.57	9,749,670.57
2. Increase in the current period	7,730,223.02	7,730,223.02
Provision in the current period	5,937,125.56	5,937,125.56
Business combination not under common control	1,793,097.46	1,793,097.46
3. Decrease in the current period	3,766,550.84	3,766,550.84
Lease expiration	1,983,425.59	1,983,425.59
Disposal	1,783,125.25	1,783,125.25
4. Ending balance	13,713,342.75	13,713,342.75
III. Provision for impairment		
1. Beginning balance	–	–
2. Increase in the current period	–	–
3. Decrease in the current period	–	–
4. Ending balance	–	–
IV. Book value		
1. Book value as at the end of the period	23,656,906.94	23,656,906.94
2. Book value as at the beginning of the period	20,407,966.07	20,407,966.07

Note 17. Intangible assets

1. Intangible assets

Item	Land use rights	Software	Non-proprietary technology	Trademark right	Total
I. Total original book value					
1. Beginning balance	31,744,470.23	17,348,740.14	341,800.00	8,490.00	49,443,500.37
2. Increase in the current period	29,079,606.72	7,098,550.13	42,492,700.00	3,000.00	78,673,856.85
Outsourcing		404,474.87			404,474.87
Business combination not under common control	29,079,606.72	6,694,075.26	42,492,700.00	3,000.00	78,269,381.98
3. Decrease in the current period		944,358.43			944,358.43
Other decreases		944,358.43			944,358.43
4. Ending balance	60,824,076.95	23,502,931.84	42,834,500.00	11,490.00	127,172,998.79
II. Accumulated accumulation					
1. Beginning balance	4,725,926.01	9,817,617.15	66,724.06	1,888.20	14,612,155.42
2. Increase in the current period	4,926,152.00	8,041,909.22	4,187,096.15	3,944.10	17,159,101.47
Provision in the current period	1,049,737.14	2,953,302.66	1,071,795.56	1,694.10	5,076,529.46
Business combination not under common control	3,876,414.86	5,088,606.56	3,115,300.59	2,250.00	12,082,572.01
3. Decrease in the current period		931,499.87			931,499.87
4. Ending balance	9,652,078.01	16,928,026.50	4,253,820.21	5,832.30	30,839,757.02
III. Provision for impairment					
1. Beginning balance					
2. Increase in the current period					
3. Decrease in the current period					
4. Ending balance					
IV. Book value					
1. Book value as at the end of the period	51,171,998.94	6,574,905.34	38,580,679.79	5,657.70	96,333,241.77
2. Book value as at the beginning of the period	27,018,544.22	7,531,122.99	275,075.94	6,601.80	34,831,344.95

Note 18. Goodwill

1. Original book value of goodwill

Name of the investees or matters forming goodwill	Beginning balance	Increase in the current period Formation of business combination	Decrease in the current period Disposal	Ending balance
Kunshan Olive Auto Parts Co., Ltd.	60,265.73			60,265.73
Jiangsu Ruishi Sensing Technology Co., Ltd.	5,441,451.39			5,441,451.39
Bonaire Automotive Electrical Systems Co., Ltd.		27,196,129.05		27,196,129.05
Total	5,501,717.12	27,196,129.05		32,697,846.17

2. Provision for impairment of goodwill

Name of the investees or matters forming goodwill	Beginning balance	Increase in the current period Provision	Decrease in the current period Disposal	Ending balance
Kunshan Olive Auto Parts Co., Ltd.				
Jiangsu Ruishi Sensing Technology Co., Ltd.	5,441,451.39			5,441,451.39
Bonaire Automotive Electrical Systems Co., Ltd.				
Total	5,441,451.39			5,441,451.39

3. Asset groups or asset group portfolios related to goodwill

The investees that generate goodwill constitute portfolios that can independently generate cash flows, and the Company has designated each as a separate asset group. The asset groups or asset group portfolios for goodwill impairment test at the end of the period are consistent with those determined on the acquisition date or in previous years. The assets classified into the asset groups mainly include operating fixed assets, construction in progress, right-of-use assets, intangible assets, long-term deferred expenses, etc.

4. Goodwill impairment test process, key parameters and recognition method of impairment loss on goodwill

When the Company conducts an impairment test on goodwill, the book value of goodwill is allocated to the asset group or asset group portfolio that is expected to benefit from the synergistic effect of the business combination. When an impairment test is performed on the relevant asset group or portfolio of asset groups containing goodwill, if there is any indication that the asset group or portfolio of asset groups related to the goodwill may be impaired, the asset group or portfolio of asset groups excluding goodwill shall be tested for impairment first, and the recoverable amount shall be calculated, and compared with the relevant book value to recognize the corresponding impairment loss. Then an impairment test shall be performed on the asset group or portfolio of asset groups containing goodwill and compare the book value of these relevant asset group or portfolio of asset groups (including the book value of the goodwill apportioned) with their recoverable amount. If the recoverable amount of the relevant asset group or portfolio of asset groups is lower than their book value, the impairment loss of goodwill will be recognized.

During the current year, the Company assessed the recoverable amount of the goodwill and determined that the amount of impairment loss on goodwill in the current period was 0.

(1) Bonaire Automotive Electrical Systems Co., Ltd.

① Calculation process of goodwill impairment

For the significant goodwill of Bonaire Automotive Electrical Systems Co., Ltd., the Company hired a third-party professional valuation institution, Topsun Appraisal Consulting Co., Ltd., to conduct an impairment test. On April 12, 2025, Topsun Appraisal Consulting Co., Ltd. issued the Asset Evaluation Report on the Recoverable Amount of the Goodwill-Containing Asset Group of Bonaire Automotive Electrical Systems Co., Ltd. Involved in the Goodwill Impairment Test for the Purpose of Financial Reporting of Jiangsu Olive Sensors High-tech Corporation Limited (ZSPBZ [2025] No. 0077), with the base date being December 31, 2024. The goodwill impairment test results of Bonaire Automotive Electrical Systems Co., Ltd. are as follows:

Item	**Bonaire Automotive Electrical Systems Co., Ltd.**
Book balance of goodwill (1)	27,196,129.05
Balance of provision for impairment of goodwill (2)	
Book value of goodwill (3) = (1) – (2)	27,196,129.05
Unrecognized goodwill value attributable to minority interests (4)	17,025,219.00
Total goodwill including unrecognized portion attributable to minority interests (5) = (1) + (4)	44,221,348.05
Book value of the asset group (6)	208,846,127.28
Fair value of the asset group containing the overall goodwill (7) = (5) + (6)	253,067,475.33
Present value of estimated future cash flows of the asset group (recoverable amount) (8)	313,000,000.00
Impairment loss on goodwill (when it is greater than 0) (9) = (7) – (8)	0
Shareholding ratio of the Company (10)	61.50%
Impairment loss on goodwill attributable to the Company (11) = (9) * (10)	0

② Determination method of recoverable amount

According to the Accounting Standards for Business Enterprises No. 8 – Asset Impairment, the recoverable amount shall be determined based on the higher of the net amount of the fair value of the asset minus the disposal cost and the present value of the expected future cash flows of the asset.

According to the Accounting Standards for Business Enterprises No. 8 – Asset Impairment, if either the net amount of the fair value of the asset minus the disposal cost or the present value of the expected future cash flows of the asset exceeds the book value of the asset, it indicates that the asset has not been impaired and there is no need to estimate another amount. As evaluated and calculated by professional institutions, the present value of the estimated future cash flows of the asset has exceeded the book value of the asset group, so it is not necessary to estimate the net amount of the fair value minus the disposal costs. Therefore, the recoverable amount of the asset group is determined by the present value of the estimated future cash flows of the asset.

③ Key Assumptions

A. It is assumed that all the assets to be appraised have been in the process of transaction, the appraiser conducts valuation based on the simulated market such as the transaction conditions of the assets to be appraised. Transaction assumptions are the most basic premise for asset evaluation.

B. It is assumed that the asset can be freely traded in a fully competitive market, and its price depends on the value judgment of the asset by independent buyers and sellers under given market supply conditions.

C. It is assumed that the operating activities of an operating entity can continue as a going concern, the operating activities of the entity will not be suspended or terminated within a predictable period of time in the future.

D. The value of an asset is evaluated according to its current use state and use mode.

④ Key parameters

The recoverable amount of the asset group of Bonaire Automotive Electrical Systems Co., Ltd. is determined based on the present value of the estimated future cash flows. Future cash flows are based on the financial budget for 2025-2029 approved by the management, and a discount rate of 12.18% is adopted. Other key assumptions used in estimating future cash flows are revenue growth and gross margin. The main parameters are as follows: revenue growth for 2025-2029 and perpetual period is 2.91%, 2.92%, 2.92%, 2.92%, 2.92% and 0% respectively (with the perpetual growth rate being consistent with the last year of the explicit forecast period); the gross margin for 2025-2029 and in the perpetual period is 12.07%, 12.02%, 12.02%, 12.02%, 12.07% and 12.07% respectively.

(2) Kunshan Olive Auto Parts Co., Ltd.

For the business combination not under common control with Kunshan Olive Auto Parts Co., Ltd., the Company determined the transaction consideration based on the evaluation results under the asset-based method. A goodwill of RMB60,265.73 was formed due to the recognition of deferred tax liabilities for the appreciation of asset evaluation. In the current period, the Company conducted an impairment test on the goodwill of Kunshan Olive Auto Parts Co., Ltd. and determined that the amount of impairment loss on goodwill of Kunshan Olive Auto Parts Co., Ltd. in the current year was RMB0.

Note 19. Long-term deferred expenses

Item	Beginning balance	Increase in the current period	Amortization the current period	Other increases	Ending balance
Decoration cost of leased house	38,294.06	2,116,811.82	1,740,242.80	1,419,186.06	1,834,049.14
Total	38,294.06	2,116,811.82	1,740,242.80	1,419,186.06	1,834,049.14

Notes to long-term deferred expenses: other increases are caused by the change in the consolidation scope in the current period.

Note 20. Deferred tax assets and deferred tax liabilities

1. Deferred tax assets without offset

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	126,042,883.55	19,031,350.75	33,155,781.93	5,044,466.85
Unrealized profits from internal transactions	781,842.91	127,297.62	558,164.08	104,334.02
Deductible loss	1,825,577.27	456,394.32	3,864,329.84	966,082.46
Government grants	62,641,113.84	10,211,316.66	49,256,120.99	8,130,640.19
Estimated liabilities	10,304,438.78	1,545,665.82	1,327,269.56	199,090.43
Equity incentive	21,653,684.72	3,281,013.70	24,515,326.38	3,677,298.96
Changes in fair value	9,559,984.55	1,433,997.68	9,675,724.51	1,451,358.68
Lease liabilities	24,335,674.90	4,504,852.15	22,497,807.92	3,468,055.64
Accrued expenses	11,017,166.93	1,652,575.04		
Total	268,162,367.45	42,244,463.74	144,850,525.21	23,041,327.23

2. *Deferred tax liabilities without offset*

Item	Ending balance Taxable temporary differences	Ending balance Deferred tax liabilities	Beginning balance Taxable temporary differences	Beginning balance Deferred tax liabilities
One-time pre-tax deduction of fixed assets	105,063,640.76	15,759,546.12	121,014,266.87	18,152,140.03
Asset evaluation increment from business combination not under common control	99,364,849.00	14,937,028.07	374,767.65	93,691.92
Accrued interest of certificate of deposit	14,953,417.23	2,243,012.58	18,779,655.76	2,816,948.36
Right-of-use assets	23,656,906.94	4,436,584.79	20,407,966.07	3,170,339.83
Changes in fair value	5,086,005.33	762,900.80	5,459,780.42	818,967.06
Internal profit	342,982.29	51,447.34	530,063.54	79,509.53
Total	248,467,801.55	38,190,519.70	166,566,500.31	25,131,596.73

3. *Details of unrecognized deferred tax assets*

Item	Ending balance	Beginning balance
Deductible loss	14,726,430.40	11,171,236.25
Total	14,726,430.40	11,171,236.25

4. *Deductible losses from unrecognized deferred tax assets will be expired in the following years*

Year	Ending balance	Beginning balance	Remark
Year 2024		2,691,035.45	
Year 2025	2,930,313.17	2,292,109.64	
Year 2026	4,399,236.21	4,399,236.21	
Year 2027	1,306,714.61	1,300,230.73	
Year 2028	489,274.22	488,624.22	
Year 2029	5,600,892.19		
Total	14,726,430.40	11,171,236.25	

5. *Notes to deferred tax assets and deferred tax liabilities*

It is uncertain whether the subsidiaries Olive (Europe) Holdings S.à r.l., Wuhan Olive Auto Parts Co., Ltd., Jiangsu Weihong Semiconductor New Materials Co., Ltd., Changzhou Olive Auto Parts and Components Co., Ltd. and Jiangsu Ruishi Sensing Technology Co., Ltd. can obtain sufficient taxable income in the future, so the relevant deductible temporary differences and deductible losses have not been recognized as deferred tax assets.

Note 21. Other non-current assets

Item	Ending balance Book balance	Ending balance Provisions for impairment	Ending balance Book value	Beginning balance Book balance	Beginning balance Provisions for impairment	Beginning balance Book value
Investment cost and interest receivable of certificate of deposit	78,635,666.67		78,635,666.67	108,356,748.57		108,356,748.57
Advances for projects	1,113,446.48		1,113,446.48	3,615,771.70		3,615,771.70
Prepayments for equipment	23,573,981.18		23,573,981.18	20,340,382.57		20,340,382.57
Total	103,323,094.33		103,323,094.33	132,312,902.84		132,312,902.84

Note 22. Short-term borrowing

1. Classification of short-term borrowings

Item	Ending balance	Beginning balance
Fiduciary loans	284,000,000.00	275,000,000.00
Unexpired interest payable	8,472.44	
Discount of bank acceptance bill	9,851,846.50	8,424,820.46
Discount of commercial acceptance bills	10,100,000.00	
L/C discounting	9,900,000.00	
Total	313,860,318.94	283,424,820.46

Note 23. Notes payable

Category	Ending balance	Beginning balance
Bank acceptance bills	312,185,859.37	4,261,791.38
Total	312,185,859.37	4,261,791.38

Note 24. Accounts payable

Item	Ending balance	Beginning balance
Payables for materials	686,966,652.29	152,057,084.12
Payables for processing fees	47,557,946.47	31,100,257.41
Payables for project payment	29,749,738.92	12,513,508.02
Payables for equipment	30,213,959.16	10,900,133.44
Payables for molds	20,720,449.43	10,808,006.16
Other payables	25,903,063.50	11,639,742.28
Total	841,111,809.77	229,018,731.43

1. Significant accounts payable with aging of more than 1 year

Entity name	Ending balance	Reason for non-repayment or carry-forward
Yantai Derun Construction Co., Ltd. Tenth Branch	3,423,893.67	Unsettled project funds
Total	3,423,893.67	

Note 25. Contract liabilities

1. Contract liabilities

Item	Ending balance	Beginning balance
Advances from product sales	4,132,405.01	2,417,550.26
Total	4,132,405.01	2,417,550.26

Note 26. Employee compensation payable

1. Presentation of employee compensation payable

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term compensation	14,783,990.74	172,815,774.58	159,713,372.67	27,886,392.65
Post-employment benefits – defined contribution plans	–	7,803,294.00	7,803,294.00	–
Total	14,783,990.74	180,619,068.58	167,516,666.67	27,886,392.65

2. Presentation of short-term compensation

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Salaries, bonuses, allowances and subsidies	14,783,990.74	158,429,994.74	145,327,592.83	27,886,392.65
Employee welfare expenses	–	7,772,617.27	7,772,617.27	–
Social insurance premiums	–	4,192,099.80	4,192,099.80	–
Including: basic medical insurance premiums	–	3,784,693.43	3,784,693.43	–
Supplementary medical insurance premiums	–	–	–	–
Work-related injury insurance premiums	–	407,406.37	407,406.37	–
Maternity insurance premiums	–	–	–	–
Housing provident fund	–	2,081,618.48	2,081,618.48	–
Union funds and employee education funds	–	339,444.29	339,444.29	–
Total	14,783,990.74	172,815,774.58	159,713,372.67	27,886,392.65

Note: The increase in the current period includes the balance of Bonaire Automotive Electrical Systems Co., Ltd. before consolidation, which is RMB8,489,683.61.

3. Presentation of defined contribution plans

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance		7,560,638.45	7,560,638.45	
Unemployment insurance premium		242,655.55	242,655.55	
Total		7,803,294.00	7,803,294.00	

Note 27. Taxes and surcharges payable

Taxes and duties	Ending balance	Beginning balance
Value added tax (VAT)	1,711,912.80	1,140,566.02
Enterprise income tax	14,344,164.83	10,142,017.30
Individual income tax	602,870.15	635,650.40
Urban maintenance and construction tax	101,519.24	83,289.80
Property taxes	368,670.96	169,938.93
Land use taxes	360,445.86	148,452.18
Stamp tax	766,555.72	184,818.24
Education surcharge	43,508.24	37,590.39
Local education surtax	29,005.50	25,060.25
Water conservancy funds	110,456.02	
Total	18,439,109.32	12,567,383.51

Note 28. Other payables

1. ***Other payables presented by nature of payment***

Nature of payment	Ending balance	Beginning balance
Margin and security deposit	1,022,850.00	967,100.00
Borrowings from non-financial institutions	467,674.90	467,674.90
Payables for equity acquisition	2,250,000.00	2,250,000.00
Others	619,464.14	480,353.22
Total	4,359,989.04	4,165,128.12

2. **Significant other payables with aging of more than 1 year**

Entity name	Ending balance	Reason for no settlement or carrying-forward
Equity transfer price	2,250,000.00	Payment terms have not been met according to the contract
Total	2,250,000.00	

Note 29. Non-current liabilities maturing within one year

Item	Ending balance	Beginning balance
Long-term borrowings maturing within one year		57,200,000.00
Lease liabilities maturing within one year	8,612,253.15	8,567,128.87
Total	8,612,253.15	65,767,128.87

Note 30. Other current liabilities

Item	Ending balance	Beginning balance
Output tax of value-added tax to be transferred	250,917.16	53,435.89
Bank acceptance bill endorsed but not expired	20,131,765.54	5,896,529.85
Total	20,382,682.70	5,949,965.74

Note 31. Long-term borrowings

Category of borrowings	Ending balance	Beginning balance
Fiduciary loans	31,000,000.00	132,000,000.00
Less: long-term borrowings maturing within one year		57,200,000.00
Total	31,000,000.00	74,800,000.00

Note 32. Lease liabilities

Nature of payment	Ending amount	Beginning balance
Within 1 year	9,346,652.29	9,155,310.60
1-2 years	6,067,292.51	5,482,497.05
2-3 years	4,264,701.84	3,842,767.89
3-4 years	3,944,415.33	2,444,100.00
4-5 years	2,235,029.24	2,268,750.00
Over 5 years	253,148.50	750,000.00
Total	26,111,239.71	23,943,425.54
Less: unrecognized financing expenses	1,775,564.81	1,445,617.62
Subtotal of present value of lease receipt	24,335,674.90	22,497,807.92
Less: Lease liabilities maturing within one year	8,612,253.15	8,567,128.87
Total	15,723,421.75	13,930,679.05

The interest expenses of lease liabilities recognized in the current period was RMB737,679.63.

Note 33. Estimated liabilities

Project name	Ending balance	Beginning balance	Formation causes
Onerous contracts pending execution for IOV project	791,488.78	1,327,269.56	
Product quality guarantee deposit	9,512,950.00		
Total	10,304,438.78	1,327,269.56	

Note 34. Deferred income

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Formation causes
Government subsidies related to assets	49,256,120.99	21,219,928.60	7,834,935.75	62,641,113.84	See Table 1 for details
Total	49,256,120.99	21,219,928.60	7,834,935.75	62,641,113.84	

1. *Deferred income related to government subsidies*

Liabilities	Beginning balance	New grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income the current period	Amount of cost offset the current period	Plus: other changes	Ending balance	Related to assets/income
Technical transformation project for annual production of 2 million sets of high-precision automotive sensors based on MEMS technology	240,000.00		–	120,000.00			120,000.00	Related to assets
R&D and industrialization projects of MEMS series sensors	200,000.00			200,000.00			–	Related to assets
Subsidies for industrialization projects of NOX sensor for automobile energy conservation and environmental protection	2,521,030.41			473,862.16			2,047,168.25	Related to assets
2017 Industrial strong base engineering (Pressure sensors based on MEMS technology)	8,127,817.38			1,191,951.97			6,935,865.41	Related to assets
Subsidies for construction project of internet of vehicles system for commercial vehicles	2,592,000.00	730,000.00					3,322,000.00	Related to assets
Technical transformation project of auto parts and components production line with an annual output of 5 million sets	2,657,503.11			420,835.23			2,236,667.88	Related to assets
Technical transformation project of new auto parts and components production line with an annual output of 3 million sets	2,788,539.05			585,017.66			2,203,521.39	Related to assets
Construction project of automotive sensor intelligent production line	11,778,042.08			1,238,371.82			10,539,670.26	Related to assets
Awards and subsidies for intelligent manufacturing informatization promotion of high-precision automotive sensors	697,610.10			299,389.90			398,220.20	Related to assets
R&D and industrialization of high-precision wide-range new MSG automotive pressure sensor	5,500,000.00			510,506.38			4,989,493.62	Related to assets
Technical transformation project of auto parts and components production line with an annual output of 12 million sets		2,870,000.00		636,979.41			2,233,020.59	Related to assets

Liabilities	Beginning balance	New grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income the current period	Amount of cost offset the current period	Plus: other changes	Ending balance	Related to assets/income
Construction project of AMB copper-clad silicon nitride substrates with an annual output of 2.5 million sets		13,040,000.00					13,040,000.00	Related to assets
Research on key technologies of high-precision wide-range current sensor for new energy vehicles		2,400,000.00					2,400,000.00	Related to assets
R&D and industrialization of precision stamping technology for automobile fuel tank connection locking chuck for China VI emission application	2,902,622.01			842,356.44			2,060,265.57	Related to assets
Subsidies for major equipment investment in transformation, upgrading and technical transformation projects	672,467.45			132,662.59			539,804.86	Related to assets
Subsidies for technical transformation of precision stamping parts production line with an annual output of 10 million sets of automobile chassis system	1,156,269.01			165,913.13			990,355.88	Related to assets
Subsidies for investment in fixed assets of Yantai project	320,000.00			320,000.00			–	Related to assets
Subsidies for retaining wall	6,400,327.24	436,391.00		392,859.62			6,443,858.62	Related to assets
Government subsidies for retaining wall on the north side (fourth side) of Phase I		200,000.00					200,000.00	Related to assets
Special subsidies for industrial investment and technological development and transformation	368,402.67			83,738.92			284,663.75	Related to assets
Subsidies for machine substitution projects	333,490.48			59,769.84			273,720.64	Related to assets
Industrialization project of new energy vehicle thermal management system				160,720.68		1,543,537.60	1,382,816.92	Related to assets
Total	49,256,120.99	19,676,391.00	–	7,834,935.75	–	1,543,537.60	62,641,113.84	

Note 35. Share capital

Item	Beginning balance	Increase (+) or decrease (-) in the current period: New shares issued	Share donation	Conversion of provident fund into shares	Others	Sub-total	Ending balance
Total shares	791,528,907.00				5,020,000.00	5,020,000.00	796,548,907.00

Notes to changes in share capital:

The vesting conditions for the first vesting period of the reserved restricted shares under the Company's 2022 restricted stock incentive plan have been met. In the current period, the Company granted 5,020,000.00 restricted shares to 45 equity incentive objects at RMB2.95 per share, and received the cumulative subscription proceeds of RMB14,809,000.00, of which the increase in share capital was RMB5,020,000.00 and the increase in capital reserve – equity premium was RMB9,789,000.00.

The changes in paid-in capital in the current period have been verified by Zhongxinghua Certified Public Accountants LLP, and a capital verification report (ZXHYZ (2024) No. 020036) was issued on September 30, 2024.

Note 36. Capital reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (share premium)	143,117,910.36	24,347,000.00		167,464,910.36
Other capital reserves	25,077,370.36	11,696,358.34	17,782,456.07	18,991,272.63
Total	168,195,280.72	36,043,358.34	17,782,456.07	186,456,182.99

Description of the capital reserve:

The capital reserve increased by RMB36,043,358.34 in the current period, because:

(1) The current period provision for restricted shares incentive expenses in 2022 was RMB11,696,358.34, which was included in capital reserve – other capital reserve.

(2) The equity premium increased by RMB9,789,000.00. See Note 34. Share capital hereof for details.

(3) The capital reserve equity premium increased by RMB14,558,000.00 in the current period, because the unlocking conditions of the first vesting period of the Company's 2022 restricted shares incentive have been fulfilled, and 5,020,000.00 restricted shares in the current period were unlocked and granted in the current period. The "capital reserve – other capital reserve" of RMB14,558,000.00 was transferred to "capital reserve – equity premium".

The capital reserve decreased by RMB17,782,456.07 in the current period, because:

(1) In the current period, the acquisition of minority equity of the subsidiary Yangzhou Hui'ao Intelligent Equipment Co., Ltd. reduced the capital reserve – other capital reserve by RMB2,662,412.09.

(2) The original associate Bonaire Automotive Electrical Systems Co., Ltd. was changed to a consolidated unit not under common control in the current period, resulting in a decrease of RMB562,043.98 in capital reserve – other capital reserve.

(3) The "capital reserve – other capital reserve" decreased by RMB14,558,000.00 in the current period, due to the transfer of RMB14,558,000.00 from the "capital reserve – other capital reserves" to the "capital reserve – equity premium", resulting in the decrease of RMB14,558,000.00 in capital reserve – other capital reserve.

Note 37. Other comprehensive income

		Amount in the current period									
Item	**Beginning balance**	**Amount before income tax in the current period**	**Less: the amount included in other comprehensive income in prior period and transferred to current profit or loss**	**Less: financial assets included in other comprehensive income in the previous period and transferred to the current period measured at amortized costs**	**Less: transfer of hedging reserve to related assets or liabilities**	**Less: income tax expenses**	**Attributable to parent company after tax**	**Attributable to minority shareholders after tax**	**Less: Carry-forward of changes in remeasurement of defined benefit plans**	**Less: retained earnings included in other comprehensive income in prior periods and transferred to current profit or loss**	**Ending balance**
I. Other comprehensive income that cannot be reclassified into profit or loss											
II. Other comprehensive income to be reclassified into profit or loss later	1,004,768.26	-1,231,289.85					-1,231,289.85				-226,521.59
1. Translation differences of foreign currency statements	1,004,768.26	-1,231,289.85					-1,231,289.85				-226,521.59
Total of other comprehensive income	1,004,768.26	-1,231,289.85					-1,231,289.85				-226,521.59

Note 38. Special reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Work safety expenses		2,941,207.20	1,052,354.85	1,888,852.35
Total		2,941,207.20	1,052,354.85	1,888,852.35

Note 39. Surplus reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	107,622,044.57	11,667,844.21		119,289,888.78
Total	107,622,044.57	11,667,844.21		119,289,888.78

Note 40. Undistributed profits

Item	Current period	Previous period
Undistributed profits at the end of the previous period before adjustment	877,123,711.59	857,167,495.22
Adjustment to total undistributed profits at the beginning of the period (+ for increase and – for decrease)		83,726.95
Undistributed profits at the beginning of the period after adjustment	877,123,711.59	857,251,222.17
Plus: Net profit attributable to owners of the parent company in the current period	137,881,869.46	123,870,454.90
Less: Withdrawal of statutory surplus reserves	11,667,844.21	9,014,496.64
Common share dividends payable	47,491,734.42	94,983,468.84
Plus: surplus reserve to cover losses		
Undistributed profits at the end of the period	955,846,002.42	877,123,711.59

Note 41. Operating revenue and operating costs

1. Operating revenue and operating costs

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	1,580,666,921.64	1,227,507,096.17	1,064,081,491.94	797,062,734.24
Other business	88,899,448.04	86,498,476.68	57,385,919.13	57,313,503.59
Total	1,669,566,369.68	1,314,005,572.85	1,121,467,411.07	854,376,237.83

2. Revenue from contracts

Contract classification	Amount in the current period
I. Business or commodity type	1,669,566,369.68
Auto sensors and accessories	298,153,748.47
Accessories for automotive fuel systems	523,066,325.50
Auto interior trim parts	130,257,137.15
New energy parts	253,589,608.40
IOV products	79,054.00
Automotive thermal management system components	372,731,158.67
Others	91,689,337.49
II. Classification by business area	1,669,566,369.68
Domestic sales	1,592,522,612.63
Export sales	77,043,757.05
III. Contract type	1,669,566,369.68
Product sales contract	1,667,815,320.18
Lease contract	1,751,049.50
IV. Classification by time of commodity transfer	1,669,566,369.68
Transfer at a point in time	1,669,566,369.68

Continued:

Contract classification	Amount in the previous period
I. Business or commodity type	1,121,467,411.07
Auto sensors and accessories	255,761,353.11
Accessories for automotive fuel systems	493,938,661.59
Auto interior trim parts	182,369,119.61
New energy parts	125,018,517.66
IOV products	2,637,353.94
Others	61,742,405.16
II. Classification by business area	1,121,467,411.07
Domestic sales	1,060,526,742.97
Export sales	60,940,668.10
III. Contract type	1,121,467,411.07
Product sales contract	1,120,934,999.00
Lease contract	532,412.07
IV. Classification by time of commodity transfer	1,121,467,411.07
Transfer at a point in time	1,121,467,411.07

Note 42. Taxes and surcharges

Item	Amount in the current period	Amount in the previous period
Urban maintenance and construction tax	1,820,171.04	2,130,762.83
Education surcharge	780,443.71	916,489.33
Property taxes	1,168,712.95	687,394.17
Land use taxes	805,802.40	593,808.72
Vehicle and vessel tax	1,200.00	1,860.00
Stamp tax	1,165,516.79	650,475.64
Environmental protection tax	524,306.26	103.05
Local education surtax	520,295.78	610,992.84
Water conservancy funds	286,426.67	
Total	7,072,875.60	5,591,886.58

Note 43. Selling expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	4,284,613.73	3,246,851.08
Warehousing costs	5,416,070.11	2,586,148.00
Advertising and publicity expenses		25,004.50
Traveling expenses	85,467.99	2,836.98
Others	1,225,386.29	111,909.41
Total	11,011,538.12	5,972,749.97

Note 44. G&A expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	59,625,058.66	40,817,814.93
Business entertainment expenses	5,591,552.49	3,572,929.61
Repair cost	1,312,574.16	786,313.52
Disabled employment security fund	144,721.68	135,982.39
Depreciation of fixed assets	13,007,643.22	4,155,794.90
Amortization of intangible assets	4,089,257.43	3,049,891.93
Insurance premiums	566,947.20	442,716.13
Office costs	1,778,717.06	1,378,770.17
Traveling expenses	2,351,120.59	2,182,521.56
Agency fees	2,377,342.09	1,329,883.17
Consultant expenses	4,984,692.71	2,815,613.43
Environmental protection fees	405,252.26	326,196.94
Automobile expenses	452,054.23	418,388.18
Labor protection expenses	258,884.03	159,901.78
Equity incentive expenses	11,696,358.34	23,035,077.77
Others	3,492,493.63	2,632,880.27
Total	112,134,669.78	87,240,676.68

Note 45. R&D expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	21,584,992.30	14,962,538.64
Intermediate test, mold, process equipment, etc.	4,175,554.59	5,669,950.35
Materials, fuel and power directly consumed	23,208,149.25	18,721,508.54
Depreciation cost and amortization	6,081,483.84	3,356,700.20
Expenses for certification and appraisal of R&D achievements	1,122,754.48	80,471.70
Technical consulting fee and development service fee	3,462,898.23	
Other expenses	1,004,161.99	2,810,579.63
Total	60,639,994.68	45,601,749.06

Note 46. Financial expenses

Item	Amount in the current period	Amount in the previous period
Interest expenses	10,931,457.58	9,906,319.30
Less: interest income	2,245,597.21	1,816,779.32
Profit or loss on exchange	2,040,750.14	-4,644,465.95
Bank service fees and others	336,568.81	252,336.04
Total	11,063,179.32	3,697,410.07

Note 47. Other income

1. Details of other income

Source of other income	Amount in the current period	Amount in the previous period
Government grants	10,548,691.35	8,950,032.19
Additional deduction preference for value-added tax input tax	10,214,891.73	4,341,796.92
Refund of service fee for withholding individual income tax	119,128.72	91,671.65
Total	20,882,711.80	13,383,500.76

(1) Government subsidies included in the current profit or loss

Grants	Accounting item	Amount in the current period	Amount in the previous period	Related to assets/related to income
Value-added tax refund upon demand	Other income	119,241.60		Related to income
Subsidies for high-level talents	Other income	126,000.00	–	Related to income
Postdoctoral living allowance in 2024	Other income	25,000.00	–	Related to income
Subsidies for digital transformation pilot enterprises	Other income	120,000.00	–	Related to income
Subsidies for R&D expenses	Other income	70,000.00	58,400.00	Related to income
Commendation and reward for optimizing and improving the business environment in Hanjiang District	Other income		112,000.00	Related to income
Subsidies for guiding the development of service industry	Other income		100,000.00	Related to income
Subsidies for special funds for innovation capacity building plan	Other income		200,000.00	Related to income
Rewards for high-tech enterprises	Other income		150,000.00	Related to income
Subsidies for high-quality development of industrial economy and technological transformation	Other income		400,000.00	Related to income
Subsidies for municipal special funds for technological transformation	Other income		595,200.00	Related to income
Subsidies for employment traineeship	Other income		69,400.00	Related to income
Subsidies for construction and operation expenses of joint innovation centers	Other income	500,000.00	–	Related to income
Subsidies for post expansion	Other income		6,000.00	Related to income
Subsidies for talent introduction under the Lvyang Jinfeng Program	Other income	1,000,000.00	240,000.00	Related to income

Grants	Accounting item	Amount in the current period	Amount in the previous period	Related to assets/related to income
Special funds for scientific and technological innovation awards in 2022	Other income		150,000.00	Related to income
Subsidies for stabilizing posts	Other income	131,947.33	170,341.00	Related to income
Subsidies for intellectual property incentives	Other income	40,500.00	103,362.50	Related to income
Rewards for collaboration project support	Other income	16,666.67	–	Related to income
Subsidies for new apprenticeship training of enterprises	Other income	54,000.00	56,000.00	Related to income
Collaborative innovation platform subsidies	Other income		250,000.00	Related to income
Employment subsidies	Other income	1,000.00	–	Related to income
Subsidies for recruitment of new college students	Other income	3,800.00	–	Related to income
Rewards for advanced units and individuals in social development	Other income	366,000.00	–	Related to income
Subsidies for electricity reliability improvement	Other income	139,600.00	–	Related to income
Deferred income	Other income	7,834,935.75	6,289,328.69	Related to assets
Total		10,548,691.35	8,950,032.19	

Note 48. Investment income

1. Details of investment income

Item	Amount in the current period	Amount in the previous period
Income from long-term equity investments accounted for by using the equity method	25,688,853.15	20,546,410.94
Investment income from disposal of financial assets held for trading	21,846,388.85	26,559,829.48
Investment income during the holding period of debt investments	11,356,401.20	1,947,148.06
Investment income from disposal of debt investments	5,202,277.88	18,320,131.79
Gains from the re-measurement of equity at fair value when the right of control is obtained	4,500,542.36	
Gains (losses) from derecognition of financial assets measured at amortized costs	-1,140,917.60	-1,104,990.43
Total	67,453,545.84	66,268,529.84

Note 49. Gains from changes in fair value

Sources of gains from changes in fair value	Amount in the current period	Amount in the previous period
Financial assets held for trading	892,990.41	10,039,619.31
Other non-current financial assets	115,739.96	-9,675,724.51
Total	1,008,730.37	363,894.80

Note 50. Losses from credit impairment

Item	Amount in the current period	Amount in the previous period
Losses from bad debts of accounts receivable	-28,587,499.88	-10,065,995.88
Bad debt loss of other receivables	-724,887.91	-264,472.82
Total	-29,312,387.79	-10,330,468.70

Note 51. Asset impairment loss

Item	Amount in the current period	Amount in the previous period
Losses from inventory depreciation and impairment losses of contract performance cost	-11,690,901.80	-3,306,416.81
Losses from contract asset impairment	-207,095.25	
Impairment losses of fixed assets		-930,685.22
Total	-11,897,997.05	-4,237,102.03

Note 52. Gains from disposal of assets

Item	Amount in the current period	Amount in the previous period
Gains or losses on disposal of fixed assets	198,094.94	110,401.11
Gains on disposal of right-of-use assets	172,129.17	
Total	370,224.11	110,401.11

Note 53. Non-operating revenue

Item	Amount in the current period	Amount in the previous period	Amount included in the current non-recurring profit or loss
Revenue from compensation for violation	2,493,703.47	969,247.71	2,494,239.06
Gains from the damage and scrapping of non-current assets	37,230.49		37,230.49
Others	151,128.15	15,636.96	150,592.56
Total	2,682,062.11	984,884.67	2,682,062.11

Note 54. Non-operating expenses

Item	Amount in the current period	Amount in the previous period	Amount included in non-recurring profit or loss for the current period
Donations made	–	200,000.00	–
Loss from the damage and scrapping of non-current assets	1,690,128.54	63,938.55	1,690,128.54
Expenditure on penalties and overdue fines	47,552.43	187,898.99	47,552.43
Claim payment	285,536.83	2,406,030.71	285,536.83
Onerous contract	–	1,472,391.24	–
Others	253,119.10		253,119.10
Total	2,276,336.90	4,330,259.49	2,276,336.90

Note 55. Income tax expenses

1. ***List of income tax expenses***

Item	Amount in the current period	Amount in the previous period
Income tax expenses for the current period	24,957,343.16	18,305,117.60
Deferred tax expenses	-6,237,766.48	-1,543,061.42
Total	18,719,576.68	16,762,056.18

2. ***Accounting profit and income tax expenses adjustment process***

Item	Amount in the current period
Total profits	202,549,091.82
Income tax expenses calculated at applicable tax rate	30,382,363.73
Influence of different tax rates applicable to subsidiaries	-125,638.73
Influence of adjustments to the income tax for the prior years	142,297.13
Influence of non-taxable income	-4,660,299.27
Impact of non-deductible costs, expenses and losses	-670,919.24
Effect of deductible temporary differences or deductible losses from deferred tax assets unrecognized in the current period	2,113,926.13
Effect of additional deductions	-8,462,153.07
Income tax expenses	18,719,576.68

Note 56. Notes to the statement of cash flows

1. ***Other cash received related to operating activities***

Item	Amount in the current period	Amount in the previous period
Government grants	22,390,146.60	18,989,015.50
Interest income	1,721,692.69	1,551,655.75
Acceptance guarantee deposit		2,392,431.50
Others (including current accounts)	8,239,148.73	13,036,098.20
Total	32,350,988.02	35,969,200.95

2. ***Other cash paid related to operating activities***

Item	Amount in the current period	Amount in the previous period
Selling expenses	6,597,466.48	2,797,372.83
G&A expenses and R&D expenses	36,770,586.80	23,460,630.97
Financial expenses	336,568.81	252,336.04
Non-operating expenses	300,666.24	387,898.99
Others (including current accounts)	20,509,810.34	20,759,716.05
Total	64,515,098.67	47,657,954.88

3. Other cash received relating to investing activities

Item	Amount in the current period	Amount in the previous period
Certificate of deposit and income	602,080,053.47	543,042,120.07
Fund borrowing	6,300,000.00	
Total	608,380,053.47	543,042,120.07

4. Other cash paid related to investing activities

Item	Amount in the current period	Amount in the previous period
Certificate of Deposit	322,983,722.18	1,022,655,685.31
Fund borrowing	12,498,885.00	1,000,000.00
Total	335,482,607.18	1,023,655,685.31

5. Cash received from significant investing activities

Item	Amount in the current period	Amount in the previous period
Financial products	686,000,000.00	1,127,000,000.00
Sale of Zotye Auto shares	6,832,441.83	
Total	692,832,441.83	1,127,000,000.00

6. Cash paid for significant investing activities

Item	Amount in the current period	Amount in the previous period
Financial products	621,000,000.00	652,000,000.00
Investment in joint stock company, Bonaire Automotive Electrical Systems Co., Ltd.		155,250,000.00
Total	621,000,000.00	807,250,000.00

7. Other cash received related to financing activities

Item	Amount in the current period	Amount in the previous period
Discount of bank acceptance bill	21,752,659.18	37,391,900.49
Bank acceptance bills and L/C guarantee deposits	6,471,199.86	
Total	28,223,859.04	37,391,900.49

8. Other cash paid related to financing activities

Item	Amount in the current period	Amount in the previous period
Lease liabilities	8,334,238.44	4,577,705.00
Total	8,334,238.44	4,577,705.00

9. *Changes in liabilities arising from financing activities*

Item	Beginning balance	Changes in cash: Cash inflows	Changes in cash: Cash outflows	Non-cash changes: Accrued interest	Non-cash changes: Changes in fair value	Others	Ending balance
Short-term borrowings	283,424,820.46	325,000,000.00	334,700,000.00	8,472.44		40,127,026.04	313,860,318.94
Long-term borrowings	132,000,000.00	51,000,000.00	152,000,000.00				31,000,000.00
Lease liabilities	22,497,807.92		8,334,238.44	737,679.63		9,434,425.79	24,335,674.90
Total	437,922,628.38	376,000,000.00	495,034,238.44	746,152.07	–	49,561,451.83	369,195,993.84

Note 57. Supplementary information to the statement of cash flows

1. *Supplementary information to the statement of cash flows*

Item	Current period	Prior period
1. Net profit adjusted to cash flows of operating activities		
Net profit	183,829,515.14	164,438,025.66
Plus: losses from credit impairment	29,312,387.79	10,330,468.70
Provision for asset impairment	11,897,997.05	4,237,102.03
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	52,090,716.26	34,997,227.84
Amortization of right-of-use assets	5,937,125.56	5,235,070.00
Amortization of intangible assets	5,076,529.46	3,049,891.93
Amortization of long-term deferred expenses	1,740,242.80	255,508.95
Losses from disposal of fixed assets, intangible assets and other long-term assets	-370,224.11	-110,401.11
Losses from write-off of fixed assets	1,652,898.05	63,938.55
Losses from changes in fair value	-1,008,730.37	-363,894.80
Financial expenses	10,914,635.29	9,499,023.89
Investment loss	-68,594,463.44	-67,373,520.27
Decrease in deferred tax assets	-2,005,837.65	-8,305,193.37
Increase in deferred tax liabilities	-4,231,928.83	6,762,131.95
Decrease in inventories	-68,470,723.86	5,412,414.10
Decrease in contract assets	-685,235.00	
Decrease in operating receivables	-175,936,758.50	-105,149,299.16
Increase in operating payables	210,370,759.24	-52,135,531.43
Others	-3,583,765.51	25,427,509.27
Net cash flows from operating activities	187,935,139.37	36,270,472.73
2. Investment and financing activities not involving cash receipts and payments		
Transfer of debts into capital		
Convertible corporate bonds maturing within one year		
Newly added right-of-use assets in the current period	15,225,721.53	13,558,417.08
3. Net increase in cash and cash equivalents		
Ending balance of cash	210,715,351.70	93,762,083.57
Less: beginning balance of cash	93,762,083.57	168,604,064.57
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase of cash and cash equivalents	116,953,268.13	-74,841,981.00

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

Item	Current period
Cash or cash equivalents paid in the current period for business combinations occurred in the current period	113,513,200.00
Including: Bonaire Automotive Electrical Systems Co., Ltd.	111,848,200.00
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	1,665,000.00
Less: Cash and cash equivalents held by the subsidiary at the acquisition date	31,118,490.82
Including: Bonaire Automotive Electrical Systems Co., Ltd.	31,118,490.82
Plus: Cash or cash equivalents paid in the current period for business combinations that occurred in previous periods	
Including:	
Net cash paid for acquisition of subsidiaries	82,394,709.18

3. Total cash outflows related to leases

The total cash outflows related to leases in the current period amounted to RMB11,598,200.23 (previous period: RMB4,577,705.00).

4. Composition of cash and cash equivalents

Item	Ending balance	Beginning balance
I. Cash	210,715,351.70	93,762,083.57
Including: cash on hand	58,436.01	135,379.66
Unrestricted bank deposits	210,648,422.54	93,616,929.08
Other unrestricted monetary funds	8,493.15	9,774.83
II. Cash equivalents		
Including: Bond investment maturing within three months		
III. Ending balance of cash and cash equivalents	210,715,351.70	93,762,083.57
Including: Restricted cash and cash equivalents used by the parent company or subsidiary within the group		

Note 58. Assets with restricted ownership or use right

Item	Ending book balance	Book value at the end of the period	Restricted type	Restricted condition
Monetary funds	62,503,108.80	62,503,108.80	Pledge	Issued bank acceptance bill
Monetary funds	1,200,000.00	1,200,000.00	Pledge	Issuance of L/C
Notes receivable	43,093.57	43,093.57	Pledge	Issued bank acceptance bill
Total	63,746,202.37	63,746,202.37		

Continued:

Item	Book balance at the end of the previous year	Book value at the end of the previous year	Restricted type	Restricted condition
Monetary funds	1,405,119.98	1,405,119.98	Pledge	Issued bank acceptance bill
Total	1,405,119.98	1,405,119.98		

Note: As of December 31, 2024, the Company issued a L/C of EUR 136,323.00 with the bank deposit of RMB1,200,000.00 as pledge. As of December 31, 2024, the Company issued a bank acceptance bill of RMB312,142,765.80 with the bank deposit of RMB62,503,108.80 as pledge; and issued a bank acceptance bill of RMB43,093.57 with the notes receivable of RMB43,093.57 as pledge.

Note 59. Foreign currency monetary item 1. Foreign currency monetary item

Item	Ending balance of foreign currency	Exchange rate of conversion	Ending balance of translated RMB
Monetary funds			27,255,924.82
Including: USD	3,217,079.79	7.1884	23,125,656.37
EUR	548,821.84	7.5257	4,130,268.45
Accounts receivable			23,651,964.66
Including: USD	1,734,293.50	7.1884	12,466,795.36
EUR	1,486,262.98	7.5257	11,185,169.30
Other receivables			10,210,454.65
Including: EUR	1,356,744.84	7.5257	10,210,454.65
Accounts payable			893,994.31
Including: USD	36,837.59	7.1884	264,803.34
EUR	83,605.64	7.5257	629,190.97
Other payables			239,305.00
Including: USD	33,290.44	7.1884	239,305.00

2. Description of overseas operation entity

Olive (Europe) Holdings S.à r.l., a wholly-owned subsidiary of the Company, is registered in Luxembourg and uses EUR as recording currency.

Note 60. Government subsidies

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Government subsidies related to assets	49,256,120.99	21,219,928.60	7,834,935.75	62,641,113.84
Government subsidies related to income		2,713,755.60	2,713,755.60	–
Total	49,256,120.99	23,933,684.20	10,548,691.35	62,641,113.84

1. Basic information of government subsidies

Type of government subsidies	Amount in the current period	Amount included in the current profit or loss	Remark
Government subsidies included in deferred income	19,676,391.00	7,834,935.75	See Note 34 for details
Government subsidies included in other income	2,713,755.60	2,713,755.60	See Note 47 for details
Total	22,390,146.60	10,548,691.35	

VI. R&D EXPENDITURES

(1) Presented by nature of expenses

Item	Amount in the current period Expensed amount	Amount in the current period Capitalized amount	Amount in the previous period Expensed amount	Amount in the previous period Capitalized amount
Employee compensation	21,584,992.30		14,962,538.64	
Intermediate test, mold, process equipment, etc.	4,175,554.59		5,669,950.35	
Materials, fuel and power directly consumed	23,208,149.25		18,721,508.54	
Depreciation cost and amortization	6,081,483.84		3,356,700.20	
Expenses for certification and appraisal of R&D achievements	1,122,754.48		80,471.70	
Technical consulting fee and development service fee	3,462,898.23			
Other expenses	1,004,161.99		2,810,579.63	
Total	60,639,994.68		45,601,749.06	

VII. CHANGES IN CONSOLIDATION SCOPE

(I) Business combinations not under common control

1. Business combinations not under common control in the current period

Name of acquiree	Time point of equity acquisition	Cost for equity acquisition	Proportion of equity acquired *(%)*	Method of equity acquisition	Acquisition date	Determination basis of the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period	Cash flows of the acquiree from the acquisition date to the end of the period
Bonaire Automotive Electrical Systems Co., Ltd.	September 30, 2024	306,337,215.49	61.50	Acquisition	September 30, 2024	Industrial and commercial changes and equity payment	373,635,940.29	874,842.28	69,546,354.65

Note: On September 2, 2024, the 1st extraordinary general meeting in 2024 reviewed and approved the Proposal on the Company's Major Asset Purchase Plan. The Equity Transfer Contract signed between the Company and Xuqing Co., Ltd. on June 27, 2024 became effective on September 2, 2024. The Company acquired 24% equity of Bonaire Automotive Electrical Systems Co., Ltd. (hereinafter referred to as "Bonaire") held by Xuqing Co., Ltd. at a consideration of RMB111,848,200.00. After the acquisition, the Company held 61.50% equity of Bonaire, and Bonaire became a controlled subsidiary of the Company. The registration of industrial and commercial changes for the equity acquisition was completed on September 11, 2024. The equity transfer payment was fully settled by September 25, 2024. On September 27, 2024, the Company issued a notice requiring Bonaire to implement the Company's accounting policies.

2. Combination costs and goodwill

Combination costs	**Bonaire Automotive Electrical Systems Co., Ltd.**
Cash	111,848,200.00
Fair value of the non-cash assets	
Fair value of debts issued or assumed	
Fair value of equity securities issued	
Fair value of contingent consideration	
Fair value of the equity held before the acquisition date on the acquisition date	194,489,015.49
Others	
Total combination costs	306,337,215.49
Less: shares of fair value of identifiable net assets acquired	279,141,086.44
Goodwill	27,196,129.05

(1) Determination of the fair value of combination cost, and description of contingent consideration and its changes

According to the Equity Transfer Contract signed by the Company and Xuqing Co., Ltd., the Company acquired 24% of the equity of Bonaire held by Xuqing Co., Ltd. at a consideration of RMB111,848,200.00. After the acquisition, the Company held 61.50% of the equity of Bonaire, and Bonaire became a controlled subsidiary of the Company. The acquisition was based on the valuation base date of December 31, 2023. Topsun Appraisal Consulting Co., Ltd. conducted an assessment of 100% equity interests in the target company, Bonaire, and issued the asset evaluation report (ZSPBZ [2024] No. 0087). The appraised value of 100% equity of the target company was RMB460 million and RMB424,102,800 respectively under the income method and asset-based method. Based on evaluation results under the income method, both parties to the transaction determined that the transaction prices of 24% equity of the target company was RMB111,848,200. The consideration for this transaction was paid by the Company in cash. There was no contingent consideration involved in this transaction.

(2) Main reasons for significant goodwill

The transaction price of the acquisition of Bonaire was determined with reference to the appraisal result under the income method. The combination cost of the acquisition of 24% equity of Bonaire was RMB111,848,200.00. The book value of the original 37.50% equity of Bonaire held by the Company was RMB189,988,473.13, and the fair value of the same was RMB194,489,015.49 after re-measurement at the fair value on the acquisition date. The combination cost of the Company's 61.50% equity of Bonaire on the acquisition date was RMB306,337,215.49. The fair value of 61.50% equity of Bonaire was determined with reference to the appraisal results under the asset-based method, and the Company determined the fair value share of the acquiree's identifiable net assets obtained in the combination as RMB279,141,086.44 by considering the change between the evaluation base date and the acquisition date, and recognized the difference of RMB27,196,129.05 as goodwill.

3. Identifiable assets and liabilities of the acquiree on the acquisition date

	Bonaire Automotive Electrical Systems Co., Ltd.	
Item	**Fair value on acquisition date**	**Book value on acquisition date**
Monetary funds	99,889,014.97	99,889,014.97
Accounts receivable	839,872,830.43	839,872,830.43
Inventories	48,848,509.18	49,679,251.24
Fixed assets	132,286,773.47	133,353,557.83
Intangible assets	66,186,809.97	50,169,934.96
Others	62,814,414.95	62,814,414.95
Less: borrowings	45,000,000.00	45,000,000.00
Payables	678,157,201.05	678,157,201.05
Employee compensation payable	8,489,683.61	8,489,683.61
Deferred tax liabilities	17,290,851.80	15,172,949.51
Others	43,220,853.25	43,220,853.25
Net assets	457,739,763.26	445,738,316.96
Less: special reserves	3,851,817.83	3,851,817.83
Net assets after deducting special reserves	453,887,945.43	441,886,499.13
Less: minority interests	174,746,858.99	170,126,302.17
Net assets acquired	279,141,086.44	271,760,196.96

(1) Determination method of fair value of identifiable assets and liabilities

The fair value of identifiable net assets of the acquiree refers to the balance of the fair value of the identifiable assets of the acquiree acquired in the combination minus the fair value of liabilities and contingent liabilities. Each identifiable asset, liability and contingent liability of the acquiree shall be separately recognized if the following conditions are met:

1) If the economic benefits brought by the acquiree's assets other than intangible assets (not limited to the assets already recognized by the acquiree) acquired in the combination are likely to flow into the enterprise and their fair value can be measured reliably, they shall be separately recognized and measured at fair value. If the fair value of the intangible assets acquired in the combination can be measured reliably, they shall be separately recognized as intangible assets and measured at fair value.

2) For the acquiree's liabilities other than contingent liabilities acquired in the combination, if the performance of relevant obligations is likely to result in the outflow of economic benefits and the fair value can be measured reliably, they shall be separately recognized and measured at fair value.

3) If the fair value of the contingent liabilities of the acquiree acquired in the combination can be measured reliably, they shall be separately recognized as liabilities and measured at fair value. After the initial recognition, the subsequent measurement of the contingent liabilities shall be made at the higher of the following two items: 1. the amount to be recognized in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies; 2. the balance of the initial recognition amount minus the accumulated amortization recognized in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue.

4. Gains or losses arising from the remeasurement of equity held at fair value before the acquisition date

(1) The acquisition time, acquisition ratio, acquisition cost and acquisition method of the original equity held before the acquisition date.

On February 17, 2023, the Company signed an Equity Transfer Contract with Hanon Systems (hereinafter referred to as "Hanon"). The Company acquired 37.5% equity of Bonaire held by Hanon at a transaction price of RMB161,250,000. The registration of industrial and commercial changes for the equity transfer was completed on March 20, 2023.

(2) The book value and fair value of the equity previously held on the acquisition date, as well as the amount of gains or losses arising from remeasurement at fair value.

The book value of the equity previously held on the acquisition date was RMB189,988,473.13 (37.50%), the fair value was RMB194,489,015.49 (37.50%), and the gain amount from the re-measurement at fair value was RMB4,500,542.36 (37.50%).

(3) The method for determining the fair value of the equity previously held on the acquisition date and the main assumptions.

The method for determining the fair value of the equity previously held on the acquisition date: the market value of the total equity value of Bonaire Automotive Electrical Systems Co., Ltd. involved in the proposed equity acquisition by Jiangsu Olive Sensors High-tech Corporation Limited as at December 31, 2023 was evaluated in the asset evaluation report (ZSPBZ [2024] No. 0087) of Topsun Appraisal Consulting Co., Ltd. The method for determining the fair value of the equity previously held on the acquisition date is based on the evaluation report.

The assumptions adopted in the analysis and estimation in this asset evaluation report are as follows:

(I) General assumptions

1) Transaction assumptions: It is assumed that all the assets to be appraised have been in the process of transaction, the appraiser conducts valuation based on the simulated market such as the transaction conditions of the assets to be appraised. Transaction assumptions are the most basic premise for asset evaluation.

2) Open market assumption: It is assumed that the asset can be freely traded in a fully competitive market, and its price depends on the value judgment of the asset by independent buyers and sellers under given market supply conditions.

3) Going concern basis: It is assumed that the operating activities of an operating entity can continue as a going concern, the operating activities of the entity will not be suspended or terminated within a predictable period of time in the future.

(II) Special assumptions

1) It is assumed that there will be no significant changes in the laws and regulations, macroeconomic situation, and political, economic, and social environment of the country and region where the assessed unit is located after the evaluation base date;

2) It is assumed that there will be no significant changes in national macroeconomic policies, industrial policies and regional development policies after the evaluation base date other than those already known to the public;

3) It is assumed that there will be no significant changes in the tax policies and credit policies related to the assessed unit, and the tax rate, exchange rate, interest rate and policy-based collection rate will be basically stable;

4) It is assumed that the management of the assessed unit after the evaluation base date is responsible, stable, and capable of performing its duties;

5) It is assumed that the assessed unit fully complies with all relevant laws and regulations, and there will be no significant violations affecting the Company's development and income realization;

6) It is assumed that the basic information, financial information and operating information provided by the client and the assessed unit are true, accurate and complete;

7) It is assumed that there will be no other force majeure factors and unforeseeable factors after the evaluation base date that will have a significant adverse impact on the assessed unit;

8) It is assumed that the accounting policies adopted by the assessed unit after the evaluation base date are basically consistent with the accounting policies adopted in the preparation of this asset evaluation report in material aspects;

9) It is assumed that after the evaluation base date, based on the current management style and level, the business scope, mode and business structure of the assessed unit will remain basically consistent with the current ones, without considering the potential impacts of unforeseeable changes in the management, business strategies and business environment in the future;

10) It is assumed that the cash inflows of the assessed unit after the evaluation base date are the average inflows, and the cash outflows are the average outflows;

11) It is assumed that the business qualifications owned by the assessed unit can be successfully renewed after expiration in the future;

12) It is assumed that the assessed unit will be continuously recognized as a high-tech enterprise in the future, and it will enjoy a preferential corporate income tax rate of 15%.

(4) The amount of other comprehensive income related to the previously held equity transferred to investment income or retained earnings as of the acquisition date.

None

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. Composition of the enterprise group

Name of subsidiaries	Registered capital	Main place of business	Registration place	Business nature	Shareholding ratio (%) Direct	Shareholding ratio (%) Indirect	Method of acquisition
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	RMB10 million	Yangzhou, Jiangsu	Yangzhou, Jiangsu	Manufacturing	51.00		Establishment by investment
Yantai Olive Pipeline Co., Ltd.	RMB80 million	Yantai, Shandong	Yantai, Shandong	Manufacturing	100.00		Establishment by investment
Wuhan Olive Auto Parts Co., Ltd.	RMB40 million	Wuhan, Hubei	Wuhan, Hubei	Manufacturing	100.00		Establishment by investment
Olive (Europe) Holdings S.à r.l.	EUR20,000	Luxembourg	Luxembourg	Investment	100.00		Establishment by investment
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	RMB5 million	Yangzhou, Jiangsu	Yangzhou, Jiangsu	Manufacturing	100.00		Establishment by investment
Kunshan Olive Auto Parts Co., Ltd.	RMB5 million	Kunshan, Jiangsu	Kunshan, Jiangsu	Manufacturing	51.00		Acquisition by business combination not under common control
Jiangsu Ruishi Sensing Technology Co., Ltd.	RMB10 million	Yangzhou, Jiangsu	Yangzhou, Jiangsu	R&D	100.00		Acquisition by business combination not under common control
Changzhou Olive Auto Parts and Components Co., Ltd.	RMB10 million	Changzhou, Jiangsu	Changzhou, Jiangsu	Manufacturing	100.00		Establishment by investment
Jiangsu Weihong Semiconductor New Materials Co., Ltd.	RMB35 million	Yangzhou, Jiangsu	Yangzhou, Jiangsu	Manufacturing	100.00		Establishment by investment

Name of subsidiaries	Registered capital	Main place of business	Registration place	Business nature	Shareholding ratio (%) Direct	Indirect	Method of acquisition
Bonaire Automotive Electrical Systems Co., Ltd.	RMB54 million	Wuhu, Anhui	Wuhu, Anhui	Manufacturing	61.50		Acquisition by business combination not under common control
Bonaire Automotive Electrical System (Anqing) Co., Ltd.	RMB10 million	Anqing, Anhui	Anqing, Anhui	Manufacturing		61.50	Acquisition by business combination not under common control

2. *Significant non-wholly-owned subsidiaries*

Name of subsidiaries	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders of the current period	Dividends declared to be distributed to minority shareholders in the current period	Ending balance of minority interests	Remark
Bonaire Automotive Electrical Systems Co., Ltd.	38.50	336,814.28	7,806,260.00	168,459,865.55	
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	49.00	45,886,244.90	19,855,909.00	162,613,256.93	

3. *Key financial information of major non-wholly-owned subsidiaries*

The main financial information of these subsidiaries represents the amounts before mutual offsetting among enterprises within the Company, but has been adjusted based on the fair value on the combination date and uniform accounting policies:

Item	Ending balance Bonaire Automotive Electrical Systems Co., Ltd.	Ending balance Jiangsu Schuerholz Precision Metal Forming Co., Ltd.
Current assets	1,093,079,706.43	293,939,653.95
Non-current assets	240,361,377.91	106,930,639.85
Total assets	1,333,441,084.34	400,870,293.80
Current liabilities	858,712,135.22	62,049,901.36
Non-current liabilities	37,170,856.78	6,956,602.78
Total liabilities	895,882,992.00	69,006,504.14
Operating revenue	373,635,940.29	419,560,960.31
Net profit	874,842.28	93,645,397.76
Total comprehensive income	874,842.28	93,645,397.76
Cash flows from operating activities	57,377,429.95	55,445,086.90

Continued:

Item	Beginning balance Jiangsu Schuerholz Precision Metal Forming Co., Ltd.
Current assets	192,994,747.06
Non-current assets	138,272,320.69
Total assets	331,267,067.75
Current liabilities	45,440,547.89
Non-current liabilities	7,085,864.69
Total liabilities	52,526,412.58
Operating revenue	325,970,514.46
Net profit	81,044,526.54
Total comprehensive income	81,044,526.54
Cash flows from operating activities	77,302,933.31

(II) Transactions leading to changes in the share of owners' equity in subsidiaries and still controlling the subsidiaries

1. Description of changes in the share of owners' equity in subsidiary

On April 28, 2024, the Company signed an equity transfer agreement with Yang Qianzhong, Wu Lixiong and Li Tao, other shareholders of Yangzhou Hui'ao Intelligent Equipment Co., Ltd., to transfer their paid-up capital contributions of RMB875,000, RMB125,000 and RMB125,000 to the Company, respectively, at the transfer price of RMB1,400,000, RMB200,000 and RMB200,000, respectively. On April 28, 2024, Yangzhou Hui'ao Intelligent Equipment Co., Ltd. filed the new Articles of Association with Yangzhou Hanjiang District Administrative Examination and Approval Bureau, and handled the industrial and commercial change procedures on April 30, 2024. The Company paid the equity transfer price of RMB1,665,000.00 in May 2024, and the Company confirmed the equity acquisition date as April 30, 2024. After the completion of the acquisition, the Company holds 100.00% equity of Yangzhou Hui'ao Intelligent Equipment Co., Ltd.

2. Impact of the transaction on minority interests and owners' equity attributable to the parent company

Item	Yangzhou Hui'ao Intelligent Equipment Co., Ltd.
Cash	1,800,000.00
Fair value of the non-cash assets	–
Fair value of debts issued or assumed	–
Fair value of equity securities issued	–
Fair value of contingent consideration	–
Fair value of the equity held before the acquisition date on the acquisition date	–
Total purchase cost/disposal consideration	1,800,000.00
Less: share of net assets of subsidiary calculated according to the proportion of equity acquired/disposed	-862,412.09
Difference	2,662,412.09
Including: adjustment of capital reserve	2,662,412.09
Adjustment of surplus reserve	
Adjustment of undistributed profits	

(III) Equity in joint venture arrangements or associates

1. Significant joint ventures or associates

Name of joint ventures or associates	Main place of business	Registration place	Business nature	Shareholding ratio (%) Direct	Shareholding ratio (%) Indirect	Accounting treatment
Schürholz GmbH	Germany	Germany	Investment		32.00	Equity method
Schürholz GmbH & Co. KG Stanztechnik	Germany	Germany	Processing and manufacturing		32.00	Equity method
Schürholz Polska Sp z o.o.	Poland	Poland	Processing and manufacturing		32.01	Equity method

2. Main financial information of important associates

Item	Schürholz GmbH	Schürholz GmbH & Co. KG Stanztechnik	Schürholz Polska Spz o.o.	Bonaire Automotive Electrical Systems Co., Ltd.
	Amount at the end of the period/ Amount incurred in the current period			
Current assets	839,733.86	180,989,548.45	45,828,543.59	
Non-current assets	–	60,433,311.50	76,558,280.30	
Total assets	839,733.86	241,422,859.95	122,386,823.89	
Current liabilities	531,829.85	163,567,085.37	41,505,072.51	
Non-current liabilities	–	–	18,317,654.12	
Total liabilities	531,829.85	163,567,085.37	59,822,726.63	
Minority interests	–	–	–	
Equity attributable to shareholders of the parent company	307,904.01	77,855,774.58	62,564,097.26	
Net asset share calculated based on shareholding ratio	98,529.25	24,913,847.76	20,026,767.53	
Adjusted matters	–	28,221,375.00	–	
– Goodwill		27,400,500.00		
– Impact of translation of foreign currency statements on goodwill	–	820,875.00	–	
Book value of equity investments in associates	98,529.25	53,135,222.76	20,026,767.53	
Fair value of equity investments with public offers			–	
Operating revenue	–	555,975,279.58	140,147,183.83	789,458,599.15
Net profit	2,525.59	12,389,547.74	8,213,164.94	50,918,281.64
Other comprehensive income	-13,589.96	-1,936,069.44	-1,696,498.54	
Total comprehensive income	-11,064.37	10,453,478.30	6,516,666.40	50,918,281.64
Dividends received from associates by the enterprise in the current period				

Continued:

Item	Amount at the beginning of the period/ amount incurred in previous period			
	Schürholz GmbH	Schürholz GmbH & Co. KG Stanztechnik	Schürholz Polska Spz o.o.	Bonaire Automotive Electrical Systems Co., Ltd.
Current assets	828,292.64	173,671,188.99	45,144,389.50	893,801,066.34
Non-current assets		56,323,109.50	59,756,930.58	193,832,633.69
Total assets	828,292.64	229,994,298.49	104,901,320.08	1,087,633,700.03
Current liabilities	509,324.26	151,852,888.98	32,493,179.12	677,205,715.98
Non-current liabilities			16,360,710.10	17,267,454.95
Total liabilities	509,324.26	151,852,888.98	48,853,889.22	694,473,170.93
Minority interests				
Equity attributable to shareholders of the parent company	318,968.38	78,141,409.51	56,047,430.86	393,160,529.10
Net asset share calculated based on shareholding ratio	102,069.87	25,005,251.03	17,940,782.60	147,435,198.41
Adjusted matters		29,472,000.00		24,020,963.08
– Goodwill		27,400,500.00		24,020,963.08
– Impact of translation of foreign currency statements on goodwill		2,071,500.00		
Book value of equity investments in associates	102,069.87	54,477,251.03	17,940,782.60	171,456,161.49
Fair value of equity investments with public offers				
Operating revenue		553,592,431.89	146,110,143.77	772,184,626.43
Net profit	18,085.98	3,820,337.26	11,477,657.12	41,717,646.70
Other comprehensive income	17,191.04	2,251,403.49	6,158,104.44	
Total comprehensive income	35,277.02	6,071,740.75	17,635,761.56	41,717,646.70
Dividends received from associates by the enterprise in the current period				6,000,000.00

IX. DISCLOSURE OF RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include monetary funds, equity investments, debt investments, borrowings, accounts receivable, payables, etc. In daily activities, it is exposed to various financial instruments, mainly including credit risk, liquidity risk and market risk. The risks associated with these financial instruments and the risk management policy adopted by the Company to reduce these risks are described below:

The Board of Directors is responsible for planning and establishing the risk management structure of the Company, formulating the risk management policy and related guidelines of the Company and supervising the implementation of risk management measures. The Company has established risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's operating activities to determine whether to update the risk management policy and system. The risk management of the Company is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The internal audit department of the Company conducts regular audits on risk management controls and procedures, and reports the audit results to the audit committee of the Company. The Company diversifies financial instruments risks through appropriate diversification of investments and business portfolios, and reduces risks concentrated in a single industry, specific region or specific counterparty by formulating corresponding risk management policy.

(I) Credit risk

Credit risk refers to the risk that the Company will incur financial losses due to the failure of the counterparty to fulfill its contractual obligations. The management has formulated appropriate credit policies and continuously monitors the exposure of these credit risks.

The Company has adopted a policy of only dealing with creditworthy counterparties. In addition, the Company evaluates the credit qualifications of customers and sets corresponding credit periods based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as the current market conditions. The Company continuously monitors the balance and recovery of notes receivable, accounts receivable and contract assets. For customers with poor credit records, the Company will use written reminders, shorten the credit period or cancel the credit period to ensure that the Company will not face significant credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that the relevant financial assets have made adequate provision for expected credit losses.

The Company's other financial assets include monetary funds, other receivables, debt investments, etc. The credit risk of these financial assets arises from the default of the counterparty, and the maximum credit risk exposure is the book value of each financial asset (including derivative financial instruments) in the balance sheet.

The monetary funds held by the Company are primarily deposited in financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management considers these commercial banks to have high creditworthiness and sound asset conditions, with no significant credit risks, and thus no material losses are expected to arise from the counterparty's defaults. The Company's policy is to control the amount of deposits held with each well-known financial institution based on its market reputation, size of operation and financial background, so as to limit the amount of credit risk to any single financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and considers the current and future economic conditions to adjust the expected loss rate, such as the national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information. For contract assets and long-term receivables, the Company reasonably assesses expected credit losses by comprehensively considering factors such as the settlement period, contractual payment period, the financial condition of debtors, and the economic conditions of the industries in which debtors operate, and adjusting for the above forward-looking information.

As of December 31, 2024, the book balance and expected credit impairment loss of the relevant assets are as follows:

Item	Book balance	Provisions for impairment
Notes receivable	64,418,767.69	
Accounts receivable	1,102,957,828.47	100,582,894.30
Receivables financing	475,568,241.52	
Other receivables	30,146,636.31	2,026,798.79
Contract assets	938,129.00	219,739.95
Total	1,674,029,602.99	102,829,433.04

The Company's main customers are complete vehicle manufacturers or auto suppliers with reliable and good reputation. Therefore, the Company believes that these customers have no major credit risk. Due to the wide range of customers of the Company, there was no significant credit concentration risk.

(II) Liquidity risk

Liquidity risk refers to the risk of shortage of funds when the Company fulfills its obligations to settle by delivery of cash or other financial assets. The member enterprises under the Company are responsible for their own cash flows forecast. The financial department under the Company continuously monitors the short-term and long-term capital requirements of the Company at the company level based on the cash flow forecast results of each member enterprise to ensure that sufficient cash reserves are maintained; at the same time, it has continuously monitored whether the provisions of the borrowing agreement are met, and obtain commitments from major financial institutions to provide sufficient standby funds to meet the needs of short-term and long-term funding. In addition, the Company enters into a credit line facility agreement with its principal correspondent bank to support the Company's performance of its obligations in relation to commercial paper.

As of December 31, 2024, the Company's financial liabilities and off-balance sheet guarantee items are presented by remaining contract period based on undiscounted contractual cash flows as follows:

		Ending balance	
Item	Within 1 year	Over 1 year	Total
Non-derivative financial liabilities			
Short-term borrowings	313,860,318.94		313,860,318.94
Notes payable	312,185,859.37		312,185,859.37
Payables	841,111,809.77		841,111,809.77
Other payables	4,359,989.04		4,359,989.04
Other current liabilities	20,382,682.70		20,382,682.70
Long-term borrowings		31,000,000.00	31,000,000.00
Lease liabilities	8,612,253.15	15,723,421.75	24,335,674.90
Subtotal of non-derivative financial liabilities	1,500,512,912.97	46,723,421.75	1,547,236,334.72
Total	1,500,512,912.97	46,723,421.75	1,547,236,334.72

(III) Market risk

1. Exchange rate risk

The Company's main business is located in China, and its main business is settled in RMB. However, there are still exchange rate risks for the Company's recognized foreign currency assets and liabilities and future foreign currency transactions (the valuation currencies of foreign currency assets and liabilities and foreign currency transactions are mainly USD and EUR). The Company's finance department is responsible for monitoring the scale of the Company's foreign currency transactions and foreign currency assets and liabilities to minimize the exchange rate risk it faces; to this end, the Company may sign forward exchange contracts or currency swap contracts to avoid exchange rate risks.

(1) The Company did not enter into any forward exchange contracts or currency swap contracts during the year.

(2) As of December 31, 2024, the amount of foreign-currency financial assets and foreign-currency financial liabilities held by the Company converted into RMB was presented as follows:

	Ending balance		
Item	**USD**	**EUR**	**Total**
Foreign-currency financial assets:			
Monetary funds	23,125,656.37	4,130,268.45	27,255,924.82
Accounts receivable	12,466,795.36	11,185,169.30	23,651,964.66
Other receivables		10,210,454.65	10,210,454.65
Sub-total	35,592,451.73	25,525,892.40	61,118,344.13
Foreign-currency financial liabilities:			
Accounts payable	264,803.34	629,190.97	893,994.31
Other payables	239,305.00		239,305.00
Sub-total	504,108.34	629,190.97	1,133,299.31

(3) Sensitivity analysis:

As of December 31, 2024, for the Company's USD- and EUR-denominated financial assets and financial liabilities, a 10% appreciation or depreciation of the RMBagainst the USD and EUR, with all other factors held constant, would result in a decrease or increase in net profit of approximately RMB5,998,504.48 (approximately RMB4,603,294.38 for 2023).

2. *Interest rate risk*

The Company's interest rate risk mainly arises from bank borrowings, etc. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed interest rate and floating interest rate contracts according to the market environment at that time.

The finance department of the Company continuously monitors the interest rate level of the Company. Rising interest rates will increase the cost of new interest-bearing debt and the interest expense of the Company's outstanding interest-bearing debt with floating interest rates, and have a significant adverse impact on the Company's financial performance. The management will make timely adjustments based on the latest market conditions, which may be interest rate swap arrangements to reduce interest rate risk.

(1) The Company had no interest rate swap arrangement during the year.

3. *Price risk*

Price risk refers to the risk of fluctuations in market prices other than exchange rate risk and interest rate risk, which mainly arises from changes in commodity prices, stock market indices, equity instruments prices and other risk variables.

The Company sells products at market prices and is affected by the above price fluctuations.

X. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the book value of financial assets instruments measured at fair value as of December 31, 2024 by three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level of the three levels to which each significant input used in the measurement at fair value belongs. The three levels are defined as follows:

Level 1: the unadjusted quoted price in the active market for the same asset or liability that is obtainable on the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the relevant asset or liability;

Level 2 inputs includes: 1) the quoted price of similar assets or liabilities in the active market; 2) Quoted prices for identical or similar assets or liabilities in non-active markets; 3) Other observable inputs other than quoted prices, including interest rate and yield curves, implied volatility and credit spreads that are observable during the normal interval of quoted prices; 4) Inputs verified by the market, etc.

Level 3: unobservable inputs of the relevant assets or liabilities.

(II) Measured at fair value at the end of the period

1. Continuous measurement at fair value

	Fair value as at the end of the period			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
Subtotal of financial assets measured at fair value through current profit or loss	438,086,005.33			438,086,005.33
Others	438,086,005.33			438,086,005.33
Receivables financing			475,568,241.52	475,568,241.52
Subtotal of other non-current financial assets			39,760,015.45	39,760,015.45
Investments in equity instruments			39,760,015.45	39,760,015.45
Total assets	438,086,005.33		515,328,256.97	953,414,262.30

(III) Determination basis for the market price of items measured at fair value at Level 1 on a continuous and non-continuous basis

The Company's financial assets held for trading are mainly private placement products issued by brokers, and the fair value is recognized at the valuation provided by the relevant institutions at the end of the period.

(IV) Valuation techniques and qualitative and quantitative information on important parameters used for items measured at fair value at Level 3 on a continuous and non-continuous basis

1. Valuation techniques and inputs description

The Company determines the fair value of its equity investments in Wuxi Longway Technology Co., Ltd. using valuation techniques. The valuation model used is the enterprise value/EBITDA (EV/EBITDA) value ratio model in the market method. The inputs of the valuation techniques mainly include the value ratio of comparable companies and the non-tradable discount rate.

2. Information on unobservable inputs

Item	**Fair value as at the end of the period**	**Valuation techniques**	**Unobservable inputs**	**Range interval**
Equity investments of Wuxi Longway Technology Co., Ltd.	39,760,015.45	EV/EBITDA value ratio model in market approach	None	
Total	39,760,015.45			

3. Valuation process

The Company entrusted Topsun Appraisal Consulting Co., Ltd. to conduct a valuation of its 13.88611% equity in Wuxi Longway Technology Co., Ltd.

Topsun Appraisal Consulting Co., Ltd. issued the Valuation Report on the Shareholders' Equity of Wuxi Longway Technology Co., Ltd. Involved in the Measurement of Fair Value of Other Non-current Financial Assets of Jiangsu Olive Sensors High-tech Corporation Limited for Financial Reporting Purposes (ZSGBZ [2025] No. 006) on April 8, 2025, with the base date being December 31, 2024. The fair value of the shareholders' equity of Wuxi Longway Technology Co., Ltd. on the valuation base date was RMB286,329,400.

Main valuation assumptions:

(I) General assumptions

1. Transaction assumptions: It is assumed that all the assets to be appraised have been in the process of transaction, and the valuation is carried out based on the simulated market such as the transaction conditions of the assets to be appraised.

2. Open market assumption: It is assumed that the asset can be freely traded in a fully competitive market, and its price depends on the value judgment of the asset by independent buyers and sellers under given market supply conditions.

3. Going concern basis: It is assumed that the operating activities of an operating entity can continue as a going concern, the operating activities of the entity will not be suspended or terminated within a predictable period of time in the future.

(II) Special assumptions

1. It is assumed that there will be no significant changes in the laws and regulations, macroeconomic situation, and political, economic, and social environment of the country and region where the assessed unit is located after the evaluation base date;

2. It is assumed that there will be no significant changes in national macroeconomic policies, industrial policies and regional development policies after the evaluation base date other than those already known to the public;

3. It is assumed that there will be no significant changes in the tax policies and credit policies related to the assessed unit, and the tax rate, exchange rate, interest rate and policy-based collection rate will be basically stable;

4. It is assumed that the management of the assessed unit after the evaluation base date is responsible, stable, and capable of performing its duties;

5. It is assumed that the assessed unit fully complies with all relevant laws and regulations, and there will be no significant violations affecting the Company's development and income realization;

6. It is assumed that the assessed unit will be continuously recognized as a high-tech enterprise in the future, and it will enjoy a preferential corporate income tax rate of 15%.

(V) Continuous Level 3 fair value measurement items, reconciliation information between opening and closing book value and sensitivity analysis of unobservable parameters

The above-mentioned continuous items measured at fair value of the Company did not have any conversion between levels during the year.

(VI) For items measured at fair value on a continuous basis, if there is a conversion between different levels within the current period, the reason for the conversion and the policy for determining the time point of the conversion

The fair value valuation techniques of the Company's financial instruments have not changed during the year.

(VII) Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term borrowings, payables, non-current liabilities and long-term borrowings maturing within one year, and investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured.

The difference between the book value and fair value of the above financial assets and liabilities not measured at fair value is small.

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Actual controller of the enterprise

Actual controller	Registration place	Business nature	ID No.	Shareholding ratio of the Company (%)	Ratio of voting right in the Company (%)
Li Hongqing	Room 274, Jinyangyuan, No. 48 Jiangyang West Road, Hanjiang District, Yangzhou City, Jiangsu Province	Natural person	321027XXXXXXXX3058	36.55	36.55

(II) For details of the Company's subsidiaries, please refer to Note VIII (I) Equity in subsidiaries

(III) Joint ventures and associates of the Company

For significant joint ventures or associates of the Company, please refer to Note VIII (II) for details of the equity in joint venture arrangements or associates.

Other joint ventures or associates that have related party transactions with the Company in the current period, or have related party transactions with the Company in the previous period to form balances are as follows:

Name of joint venture or associate	Relationship with the Company
Schürholz GmbH	Associate
Schürholz GmbH & Co. KG Stanztechnik	Associate
Schürholz Polska Sp z o.o.	Associate

(IV) Other related parties

Other related parties	Relationships between other related parties and the Company
Teng Fei	Shareholders, directors and senior officers who are natural persons
Fang Tailang	Director and senior officer
Li Jiawen	Director
Kong Youtian	CFO
Yu Ping	Independent director
Pan Chuanqi	Independent director
Dai Zhaoxi	Senior officer
Zuo Qiang	Senior officer
Wuxi Longway Technology Co., Ltd.	Joint-stock companies of the Company
Jiangsu Qiaozhixin Automation Equipment Co., Ltd.	Other subsidiary companies directly controlled by the actual controller
Yangzhou Jinquan Travelling Goods Co., Ltd.	The actual controller is the director and general manager of the Company

(V) Related party transactions

1. For subsidiaries under common control that are included in the Company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.

2. Related party transactions of purchase of goods and receipt of labor service

Related party	Related party transactions	Amount in the current period	Amount in the previous period
Schürholz GmbH & Co. KG Stanztechnik	Materials	69,284.27	172,694.60
Schürholz GmbH & Co. KG Stanztechnik	Products	1,154,293.61	776,584.34
Schürholz GmbH & Co. KG Stanztechnik	Molds	131,406.63	2,148,939.08
Schürholz GmbH & Co. KG Stanztechnik	Labor services	678,526.64	676,890.20
Wuxi Longway Technology Co., Ltd.	Materials	69,388,872.31	23,619,270.42
Wuxi Longway Technology Co., Ltd.	Fixed assets	19,870.00	
Wuxi Longway Technology Co., Ltd.	Labor services	47,169.81	
Total		71,489,423.27	27,394,378.64

3. Related party transactions of sales of goods and rendering of labor service

Related party	Related party transactions	Amount in the current period	Amount in the previous period
Schürholz GmbH & Co. KG Stanztechnik	Products	12,566,295.43	9,657,809.18
Wuxi Longway Technology Co., Ltd.	Materials		8,075.00
Total		12,566,295.43	9,665,884.18

4. Related party leases

(1) The Company as the lessee

Lessor	Type of leased asset	Lease fee recognized in the current period	Lease fee recognized in previous period
Jiangsu Qiaozhixin Automation Equipment Co., Ltd.	Equipment leasing		72,197.94
Total			72,197.94

5. Related party guarantees

None

6. Remuneration of key officers

Item	Amount in the current period	Amount in the previous period
Remuneration of key officers	3,839,824.00	2,691,392.00

7. *Other related party transactions*

Transaction type	Name of related party	Amount in the current period	Amount in the previous period	Pricing method and decision-making procedure
Fund occupation fee	Schürholz GmbH & Co.KG Stanztechnik	375,013.01	265,123.57	Agreement
Transfer of large-denomination certificates of deposit	Yangzhou Jinquan Travelling Goods Co., Ltd.	153,266,097.23		Market pricing
Total		153,641,110.24	265,123.57	

8. *Receivables from and payables to related parties*

(1) The Company's receivables from related parties

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	10,827,536.00	541,376.80	8,373,735.22	418,686.76
Schürholz GmbH & Co. KGStanztechnik	10,827,536.00	541,376.80	8,373,735.22	418,686.76
Other receivables	10,210,454.65		7,241,838.62	
Schürholz GmbH & Co. KGStanztechnik	8,787,391.06		6,138,854.44	
Schürholz GmbH & Co. KGStanztechnik	1,423,063.59		1,102,984.18	
Total	21,037,990.65	541,376.80	15,615,573.84	418,686.76

(2) The Company's payables to related parties

Related party	Ending balance	Beginning balance
Accounts payable	40,212,635.25	13,652,671.44
Wuxi Longway Technology Co., Ltd.	40,212,635.25	13,652,671.44
Total	40,212,635.25	13,652,671.44

XII. SHARE-BASED PAYMENTS

(I) Overall situation of share-based payments

Category of grant object	Granted in the current period		Exercised in the current period		Unlocked in the current period		Invalidation in the current period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Director, senior officer and core personnel			5,020,000.00	14,809,000.00				
Total			5,020,000.00	14,809,000.00				

(II) Equity-settled share-based payments

Determination method of the fair value of equity instruments on the grant date	Fair value of the restricted shares on the grant date = closing price of the stock on the grant date – grant price
Important parameters of the fair value of equity instruments on the grant date	RMB2.90/share, RMB5.48/share
Determination basis of the number of exercisable equity instrument	It is determined by multiplying the base number of restricted shares granted by the corporate performance coefficient and individual performance coefficient for the corresponding year
Reasons for the significant difference between the current period estimate and the previous estimate	No significant differences
Cumulative amount of equity-settled share-based payments included in capital reserves	36,211,684.72
Total expenses recognized for equity-settled share-based payments in the current period	11,696,358.34

(1) Summary of the Company's restricted shares plan

The 2022 Restricted Stock Incentive Plan (Draft) of Jiangsu Olive Sensors High-tech Corporation Limited was reviewed and approved at the 23rd Meeting of the 4th Board of Directors held by the Company on October 20, 2022, the 3rd Extraordinary General Meeting of 2022 held on November 9, 2022. The Proposal on Adjusting the List of the Initial Grant of Incentive Objects and the Number of Grants under the 2022 Restricted Stock Incentive Plan and the Proposal on Granting Restricted Shares to Incentive Objects was reviewed and approved at the 25th Meeting of the 4th Board of Directors held on December 9, 2022. The Company intends to grant 14.85 million restricted shares to the incentive objects, including 12.85 million shares for the initial grant at a price of RMB3.13 per share, with the initial grant date being December 9, 2022, and 2 million shares for the reserved part. The stock source of the incentive plan is the RMBA-share ordinary shares issued to the incentive object in a targeted way.

On December 9, 2022, the Company granted 12.85 million restricted shares to 48 incentive objects, including the Company's directors, senior officers, middle and senior officers of the departments, core officers and other employees deemed by the Company as having a direct impact on its operational performance and future development, with the grant date being the same day.

On November 8, 2023, the Company held the 7th meeting of the 5th Board of Directors and the 7th meeting of the 5th Board of Supervisors, during which the Proposal on Adjusting the Grant Price under the 2022 Restricted Stock Incentive Plan, Proposal on Granting the Reserved Restricted Shares to Incentive Objects under 2022 Restricted Stock Incentive Plan and Proposal on Abandoning the Partial Reserved Restricted Shares under 2022 Restricted Stock Incentive Plan were reviewed and approved. Due to the implementation of the 2022 annual equity distribution plan, the Board of Directors adjusted the grant price under the 2022 restricted stock incentive plan accordingly. After the adjustment, the grant price under the 2022 restricted stock incentive plan was RMB3.01 per share; the vesting conditions for the reserved portion under the Company's 2022 restricted stock incentive plan have been fulfilled, and the Board of Directors approved November 8, 2023 as the grant date for the reserved restricted shares and agreed to grant 750,000 restricted shares to 3 eligible incentive objects. As of November 8, 2023, there were no designated incentive objects for the remaining 1,250,000 reserved restricted shares under the Company's 2022 restricted stock incentive plan, and the Company processed these 1,250,000 restricted shares as invalid and void.

On September 23, 2024, the 14th meeting of the 5th Board of Directors and the 13th meeting of the 5th Board of Supervisors of the Company reviewed and approved the Proposal on Fulfillment of Vesting Conditions for the First Vesting Period of Type II Restricted Shares for Initial Grant under the 2022 Restricted Stock Incentive Plan, Proposal on Abolishing Part of the Granted but Unvested Type II Restricted Shares, and Proposal on Adjusting the Grant Price under the 2022 Restricted Stock Incentive Plan.

According to the Administrative Measures for Equity Incentives of Listed Companies, the 2022 Restricted Stock Incentive Plan (Draft), the Administrative Measures for the Implementation and Assessment of the Company's 2022 Restricted Stock Incentive Plan and other relevant provisions and the authorization of the 3rd extraordinary general meeting in 2022, a total of 300,000 Type II restricted shares previously granted to 2 incentive objects who resigned and 1 incentive object who passed away shall be cancelled by the Company as these individuals no longer qualify for the incentive program.

Due to the implementation of the 2023 annual equity distribution plan, the Board of Directors adjusted the grant price under the 2022 restricted stock incentive plan accordingly. After the adjustment, the grant price under the 2022 restricted stock incentive plan was RMB2.95 per share.

According to the Administrative Measures for Equity Incentives of Listed Companies, the Company's 2022 Restricted Stock Incentive Plan (Draft), the Administrative Measures for the Implementation and Assessment of the Company's 2022 Restricted Stock Incentive Plan, and other relevant regulations, the Board of Directors determined that the vesting conditions for the first vesting period of the 2022 restricted stock incentive plan have been satisfied, and approved the processing of restricted share vesting for 45 eligible incentive objects, with a total of 5.02 million restricted shares available for vesting in this period.

The restriction release periods and corresponding schedule for the restricted shares for initial grant are shown in the following table:

Unlocking arrangement	**Unlocking time**	**Unlocking ratio**
First vesting	From the first trading day after 12 months from the initial grant date to the last trading day within 24 months from the grant date	40%
Second vesting	From the first trading day after 24 months from the initial grant date to the last trading day within 36 months from the grant date	30%
Third vesting	From the first trading day after 36 months from the initial grant date to the last trading day within 48 months from the grant date	30%

The reserved restricted shares have not been granted, and the restriction release periods and the corresponding schedule are shown in the following table:

Unlocking arrangement	**Unlocking time**	**Unlocking ratio**
First vesting	From the first trading day after 12 months from the grant date of the reserved part to the last trading day within 24 months from the grant date of the reserved part	50%
Second vesting	From the first trading day after 24 months from the grant date of the reserved part to the last trading day within 36 months from the grant date of the reserved part	50%

Conditions for unlocking restricted shares:

1) *Unlocking conditions on the Company's performance*

The performance assessment of this incentive plan covers three accounting years from 2023 to 2025, and the assessment will be conducted once each year. Achievement of performance assessment objectives is one of the vesting conditions for restricted shares. The performance assessment objectives for the restricted shares for initial grant under the incentive plan for each year are shown in the following table:

Batch	Vesting period	Performance assessment objectives
Initial grant	The first vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2023 shall not be lower than 15%
	The second vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2024 shall not be lower than 30%
	The third vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2025 shall not be lower than 45%
Reserved shares	The first vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2024 shall not be lower than 30%
	The second vesting period	Based on the operating revenue for 2022, the operating revenue growth rate for 2025 shall not be lower than 45%

If the Company fails to meet the above performance assessment objectives, all restricted shares eligible for release during the assessment year shall not be released, and shall be repurchased and canceled by the Company. The repurchase price shall be the sum of the grant price and the interest from bank deposits of the same period.

2) *Performance appraisal requirements for individual incentive object*

The individual-level performance appraisal of incentive objects shall be implemented in accordance with the Company's existing regulations on compensation and assessment, and the number of shares actually vested in each object shall be determined based on their assessment results. The performance appraisal results of the incentive objects are divided into four grades: A, B+, B and C, and the Appraisal and Evaluation Form is applicable to the appraised objects. At that time, the number of shares actually owned by the incentive objects will be determined according to the following table:

Assessment result	A	B+	B	C
Individual vesting ratio (N)	100%	100%	80%	0

If the Company's performance assessment objectives are achieved, the number of restricted shares actually vested to the incentive object in the current year = the number of shares planned to be vested to the individual in the current year × individual vesting ratio (N). If the restricted shares to be vested to the incentive objects in the current period cannot be vested partially or wholly due to the assessment, they will be invalid and cannot be deferred to future years.

(2) The main parameters for determining the fair value of equity instruments on the grant date are as follows:

Item	Restricted shares for the initial grant	Reserved restricted shares	Remark
Grant date	December 9, 2022	November 8, 2023	
Stock price on the authorization date (RMB/share)	6.03	8.49	Closing price on grant date
Grant price (RMB/share)	3.13	3.01	Approved by the Board of Directors

(III) Share-based payment expenses for the current period

Category of grant object	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Director, senior officer and core personnel	11,696,358.34	

XIII. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

1. Lease contracts involving payment commitments

Item	Ending amount	Beginning balance
Within 1 year	9,346,652.29	9,155,310.60
1-2 years	6,067,292.51	5,482,497.05
2-3 years	4,264,701.84	3,842,767.89
3-4 years	3,944,415.33	2,444,100.00
4-5 years	2,235,029.24	2,268,750.00
Over 5 years	253,148.50	750,000.00
Total	26,111,239.71	23,943,425.54

Except for the above commitments, as of December 31, 2024, the Company has no other major commitments required to be disclosed.

(II) Significant contingencies on the balance sheet date

The Company has no significant contingencies required to be disclosed.

XIV. POST BALANCE SHEET EVENTS

(I) Profit distribution

Profit or dividend to be distributed	47,792,934.42
Profit or dividend declared to be granted upon deliberation and approval	

Note: the Company held the 19th meeting of the 5th Board of Directors on April 16, 2025, and approved the Company's profit distribution plan for 2024 at the meeting. The Company will distribute a cash dividend of RMB0.6 per 10 shares (tax inclusive) to all shareholders based on the total share capital of 796,548,907 shares, with no bonus shares to be issued.

The plan is subject to the consideration and approval at the Company's 2024 annual general meeting.

XV. NOTES TO OTHER IMPORTANT MATTERS

(I) Accounting errors in prior periods

1. No previous errors using retrospective restatement method were found during the reporting period.

2. No accounting errors in prior periods using the prospective application method were found during the reporting period.

(II) Segment information

The Company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The operating segments of the Company refer to components that meet the following conditions at the same time:

(1) The component is able to generate revenue and incur expenses in daily activities;

(2) The management can regularly evaluate the operating results of the component to decide its resources allocation and evaluate its performance;

(3) The relevant accounting information such as the financial status, operating results and cash flows of the component can be obtained.

The Company determines the reporting segments on the basis of operating segments, and the operating segments meeting one of the following conditions are determined as the reporting segments:

(1) The segment revenue of the operating segment accounts for 10% or more of the total revenue of all segments;

(2) The absolute amount of the segment's profit (or loss) accounts for 10% or more of the greater of the total profit of all profit-making segments or the total loss of all loss-making operating segments.

The Company operates in a single business segment, primarily engaged in the production of auto sensors and accessories, accessories for automotive fuel systems, auto interior trim parts, new energy parts and automotive thermal management system parts and other products. The management manages and evaluates operational results as a single integrated unit. Therefore, the financial statements do not report segment information.

XVI. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 1. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Ending balance	Beginning balance
Within 1 year	469,532,140.15	397,852,645.13
1-2 years	10,602,831.59	4,447,913.23
2-3 years	4,092,589.96	32,076.24
3-4 years	31,519.30	147,643.59
4-5 years	147,643.59	170,951.25
Over 5 years	760,661.10	589,709.85
Sub-total	485,167,385.69	403,240,939.29
Less: provision for bad debts	32,903,354.00	21,021,530.43
Total	452,264,031.69	382,219,408.86

2. Disclosure by method for provision for bad debts

	Ending balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio	Amount	Provision ratio	Book value
		(%)		(%)	
Accounts receivable with provision for bad debts made on an individual basis	9,531,139.15	1.96	9,531,139.15	100.00	–
Accounts receivable with provision for bad debts accrued on a portfolio basis	475,636,246.54	98.04	23,372,214.85	4.91	452,264,031.69
Including: aging portfolio	466,197,106.65	96.09	23,372,214.85	5.01	442,824,891.80
Portfolio of related parties within the consolidation scope	9,439,139.89	1.95			9,439,139.89
Total	485,167,385.69	100.00	32,903,354.00		452,264,031.69

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		
Type	Amount	Ratio	Amount	Provision ratio	Book value
		(%)		(%)	
Provision for bad debts accrued on an individual basis	1,307,524.28	0.32	1,307,524.28	100.00	
Provision for bad debts made by portfolio	401,933,415.01	99.68	19,714,006.15	4.90	382,219,408.86
Including: aging portfolio	393,415,453.87	97.56	19,714,006.15	5.01	373,701,447.72
Portfolio of related parties within the consolidation scope	8,517,961.14	2.12			8,517,961.14
Total	403,240,939.29	100.00	21,021,530.43		382,219,408.86

3. Accounts receivable with provision for bad debts made on an individual basis

	Ending balance			
Entity name	Book balance	Provision for bad debts	Provision ratio	Reasons for provision
			(%)	
Beijing Borgward Automotive Co., Ltd.	318,594.84	318,594.84	100	The Company declares bankruptcy
Jiangxi Zhiqu Electric Technology Co., Ltd.	187,044.94	187,044.94	100	It has ceased production, and has been listed as a dishonest person subject to enforcement; it is expected to be difficult to recover
Jiangxi Yiwei Automotive Manufacturing Co., Ltd.	221,084.50	221,084.50	100	It has ceased production, and has been listed as a dishonest person subject to enforcement; it is expected to be difficult to recover
Shanghai Eastone Automotive Technology Co., Ltd.	580,800.00	580,800.00	100	Refusal to execute repayment after mediation

Entity name	Ending balance Book balance	Provision for bad debts	Provision ratio *(%)*	Reasons for provision
Human Horizons (Jiangsu) Technology Co., Ltd.	1,633,537.62	1,633,537.62	100	It has ceased production, and has been listed as a dishonest person subject to enforcement; it is expected to be difficult to recover
Human Horizons (Shandong) Technology Co., Ltd.	3,800,669.87	3,800,669.87	100	It has ceased production, and has been listed as a dishonest person subject to enforcement; it is expected to be difficult to recover
Hozon New Energy Automobile Co., Ltd.	2,433,284.49	2,433,284.49	100	It has ceased production; it is expected to be difficult to recover
Enovate Motors (Changsha) Group Co., Ltd.	354,861.81	354,861.81	100	No property available for enforcement
Enovate Motors Distribution (Changsha) Co., Ltd.	1,261.08	1,261.08	100	No property available for enforcement
Total	9,531,139.15	9,531,139.15		

4. Accounts receivable with provision for bad debts accrued on a portfolio basis

(1) Aging portfolio

Aging	Ending balance Book balance	Provision for bad debts	Provision ratio *(%)*
Within 1 year	465,494,763.51	23,274,738.18	5.00
1-2 years	595,756.22	59,575.62	10.00
2-3 years	66,157.77	13,231.55	20.00
3-4 years	31,519.30	15,759.65	50.00
4-5 years	–	–	
Over 5 years	8,909.85	8,909.85	100.00
Total	466,197,106.65	23,372,214.85	

(2) Portfolio of related parties within the consolidation scope

Aging	Ending balance Book balance	Provision for bad debts	Provision ratio *(%)*
Related parties within the consolidation scope	9,439,139.89		
Total	9,439,139.89		

5. *Provision for bad debts accrued, recovered or reversed in the current period*

Type	Beginning balance	Changes in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Other changes	
Accounts receivable with provision for bad debts made on an individual basis	1,307,524.28	8,223,614.87				9,531,139.15
Accounts receivable with provision for bad debts accrued on a portfolio basis	19,714,006.15	7,771,543.09	4,018,934.39	94,400.00	–	23,372,214.85
Including: aging portfolio	19,714,006.15	7,771,543.09	4,018,934.39	94,400.00	–	23,372,214.85
Portfolio of related parties within the consolidation scope	–		–			–
Total	21,021,530.43	15,995,157.96	4,018,934.39	94,400.00	–	32,903,354.00

6. *Actual accounts receivable written off during the reporting period*

Item	Amount for write-off
Actual accounts receivable written off	94,400.00

7. *Top five accounts receivable in terms of ending balance collected by the debtor*

Entity name	Ending balance	Proportion in the ending balance of accounts receivable *(%)*	Provision for bad debts made
No. 1	65,586,656.31	13.52	3,279,332.82
No. 2	42,899,408.15	8.84	2,144,970.41
No. 3	30,387,993.59	6.26	1,519,399.68
No. 4	25,157,644.32	5.19	1,257,882.22
No. 5	24,519,208.98	5.05	1,225,960.45
Total	188,550,911.35	38.86	9,427,545.58

Note 2. Other receivables

1. *Disclosure of other receivables by aging*

Aging	Ending balance	Beginning balance
Within 1 year	13,588,025.64	2,544,868.11
1-2 years	2,531,362.37	1,856,622.24
2-3 years	1,856,622.24	1,737,220.00
3-4 years	1,732,220.00	1,008,327.99
4-5 years	1,008,327.99	882,300.00
Over 5 years	12,747,686.54	11,865,386.54
Sub-total	33,464,244.78	19,894,724.88
Less: provision for bad debts	1,365,998.18	703,496.77
Total	32,098,246.60	19,191,228.11

2. Classification by nature of payment

Nature of payment	Ending balance	Beginning balance
Security deposit	3,014,800.00	1,764,800.00
Petty cash	84,565.74	19,334.30
Fund borrowing	7,353,500.00	1,000,000.00
Transactions between related parties	22,716,934.46	16,825,149.95
Others	294,444.58	285,440.63
Sub-total	33,464,244.78	19,894,724.88
Less: provision for bad debts	1,365,998.18	703,496.77
Total	32,098,246.60	19,191,228.11

3. Disclosure by three stages of impairment of financial assets

	Ending balance			Beginning balance		
Item	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
First stage						
Second stage	33,186,334.50	1,088,087.90	32,098,246.60	19,616,814.60	425,586.49	19,191,228.11
Third stage	277,910.28	277,910.28	–	277,910.28	277,910.28	–
Total	33,464,244.78	1,365,998.18	32,098,246.60	19,894,724.88	703,496.77	19,191,228.11

4. Disclosure by method for provision for bad debts

	Ending balance				
	Book balance		Provision for bad debts		Book value
Type	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued on an individual basis	277,910.28	0.83	277,910.28	100.00	
Provision for bad debts made by portfolio	33,186,334.50	99.17	1,088,087.90	3.28	32,098,246.60
Including: Portfolio I	10,469,400.04	31.29	1,088,087.90	10.39	9,381,312.14
Portfolio II	22,716,934.46	67.88			22,716,934.46
Total	33,464,244.78	100.00	1,365,998.18		32,098,246.60

Continued:

	Beginning balance				
	Book balance		Provision for bad debts		Book value
Type	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued on an individual basis	277,910.28	1.40	277,910.28	100.00	
Provision for bad debts made by portfolio	19,616,814.60	98.60	425,586.49	2.17	19,191,228.11
Including: Portfolio I	2,791,664.65	14.03	425,586.49	15.24	2,366,078.16
Portfolio II	16,825,149.95	84.57			16,825,149.95
Total	19,894,724.88	100.00	703,496.77		19,191,228.11

5. Other receivables with provision for bad debts made on an individual basis

	Ending balance			
Entity name	**Book balance**	**Provision for bad debts**	**Provision ratio** *(%)*	**Reasons for provision**
Shanghai Dizai'en Mould & Plastic Technology Co., Ltd.	277,910.28	277,910.28	100.00	Listed as untrustworthy
Total	277,910.28	277,910.28		

6. Other receivables with provision for bad debts made on a portfolio basis

(1) Portfolio I

	Ending balance		
Aging	**Book balance**	**Provision for bad debts**	**Provision ratio** *(%)*
Within 1 year	7,696,241.13	384,812.06	5
1-2 years	1,957,162.37	195,716.24	10
2-3 years	1,462.24	292.45	20
3-4 years	604,534.30	302,267.15	50
4-5 years	10,000.00	5,000.00	50
Over 5 years	200,000.00	200,000.00	100

	Ending balance		
Aging	**Book balance**	**Provision for bad debts**	**Provision ratio** *(%)*
Total	10,469,400.04	1,088,087.90	

(2) Portfolio II

	Ending balance		
Aging	**Book balance**	**Provision for bad debts**	**Provision ratio** *(%)*
Related parties within the consolidation scope	22,716,934.46		
Total	22,716,934.46		

7. Provision for bad debts of other receivables

Provision for bad debts	First stage Expected credit loss for the next 12 months	Second stage Expected credit loss over the whole life (without credit impairment)	Third stage Expected credit loss over the whole life (with credit impairment)	Total
Beginning balance		425,586.49	277,910.28	703,496.77
Beginning balance in the current period	–	–	–	–
– Transfer to the second stage				
– Transfer to the third stage				
– Reversal to the second stage				
– Reversal to the first stage				
Provision in the current period		663,536.69		663,536.69
Reversal in the current period		-1,035.28		-1,035.28
Charge-off in the current period				
Write-off in the current period				
Other changes				
Ending balance		1,088,087.90	277,910.28	1,365,998.18

8. No other receivables actually written off during the reporting period

9. Top five other receivables in terms of ending balance collected by the debtor

Entity name	Nature of payment	Ending balance	Aging	Proportion in the ending balance of other receivables (%)	Ending balance of provision for bad debts
No. 1	Current accounts with subsidiary	17,116,599.95	Within 1 year, 1-5 years	51.15	
No. 2	Current accounts with subsidiary	4,998,838.04	Within 1 year	14.94	
No. 3	Fund borrowing	3,500,000.00	Within 1 year	10.46	175,000.00
No. 4	Security deposit	1,846,600.00	1-4 years	5.52	394,660.00
No. 5	Fund borrowing	1,500,000.00	Within 1 year	4.48	75,000.00
Total		28,962,037.99		86.55	644,660.00

Note 3. Long-term equity investments

	Ending balance			Beginning balance		
Item	**Book balance**	**Provisions for impairment**	**Book value**	**Book balance**	**Provisions for impairment**	**Book value**
Investment in subsidiaries	406,323,475.90		406,323,475.90	99,561,802.77		99,561,802.77
Investments in associates and joint ventures	–		–	171,456,161.49		171,456,161.49
Total	406,323,475.90	–	406,323,475.90	271,017,964.26		271,017,964.26

1. Investment in subsidiaries

Investee	**Initial investment cost**	**Beginning balance**	**Increase in the current period**	**Decrease in the current period**	**Ending balance**	**Provision for impairment made in the current period**	**Balance of provision for impairment as at the end of the period**
Jiangsu Schuerholz Precision Metal Forming Co., Ltd.	5,100,000.00	5,100,000.00			5,100,000.00		
Yantai Olive Pipeline Co., Ltd.	40,000,000.00	40,000,000.00			40,000,000.00		
Wuhan Olive Auto Parts Co., Ltd.	40,000,000.00	40,000,000.00		–	40,000,000.00		
Yangzhou Hui'ao Intelligent Equipment Co., Ltd.	5,675,000.00	2,750,000.00	2,925,000.00		5,675,000.00		
Olive (Europe) Holdings S.à r.l.	146,314.00	146,314.00			146,314.00		
Kunshan Olive Auto Parts Co., Ltd.		3,065,488.77			3,065,488.77		
Jiangsu Ruishi Sensing Technology Co., Ltd.		7,500,000.00			7,500,000.00		
Changzhou Olive Auto Parts and Components Co., Ltd.	1,000,000.00		1,000,000.00		1,000,000.00		
Bonaire Automotive Electrical Systems Co., Ltd.	273.098.200.00		301,836,673.13		301,836,673.13		
Jiangsu Weihong Semiconductor New Materials Co., Ltd.	2,000,000.00	1,000,000.00	1,000,000.00		2,000,000.00		
Total	253,911,314.00	99,561,802.77	306,761,673.13		406,323,475.90		

2. Investments in associates and joint ventures

			Increase/decrease in the current period			
Investee	**Beginning balance**	**Provisions for impairment Beginning balance**	**Additional investment**	**Reduced investment**	**Investment income recognized under the equity method**	**Adjustment of other comprehensive income**
Bonaire Automotive Electrical Systems Co., Ltd.	171,456,161.49				19,094,355.62	
Total	171,456,161.49				19,094,355.62	

Continued:

	Increase/decrease in the current period					
Investee	Changes in other equity	Cash dividends or profits declared and distributed	Provision for impairment	Others	Ending balance	Provisions for impairment Ending balance
Bonaire Automotive Electrical Systems Co., Ltd.	-562,043.98			-189,988,473.13		
Total	-562,043.98			-189,988,473.13		

Note 4. Operating revenue and operating costs

1. Operating revenue and operating costs

	Amount in the current period		Amount in the previous period	
Item	Revenue	Cost	Revenue	Cost
Primary business	923,444,825.48	755,053,728.10	816,463,937.23	675,449,619.62
Other business	14,126,833.53	10,686,461.92	10,735,705.88	10,554,741.65
Total	937,571,659.01	765,740,190.02	827,199,643.11	686,004,361.27

2. Revenue from contracts

Contract classification	Amount in the current period
I. Business or commodity type	937,571,659.01
Auto sensors and accessories	298,160,716.78
Accessories for automotive fuel systems	262,535,301.56
Auto interior trim parts	130,151,858.65
New energy parts	232,517,894.49
IOV products	79,054.00
Others	14,126,833.53
II. Classification by business area	937,571,659.01
Domestic sales	897,307,011.04
Export sales	40,264,647.97
III. Contract type	937,571,659.01
Product sales contract	935,597,556.26
Lease contract	1,974,102.75
IV. Classification by time of commodity transfer	937,571,659.01
Transfer at a point in time	937,571,659.01

Continued:

Contract classification	Amount in the previous period
I. Business or commodity type	827,199,643.11
Auto sensors and accessories	256,580,769.30
Accessories for automotive fuel systems	252,530,226.42
Auto interior trim parts	181,894,534.87
New energy parts	122,821,052.70
IOV products	2,637,353.94
Others	10,735,705.88
II. Classification by business area	827,199,643.11
Domestic sales	792,450,198.53
Export sales	34,749,444.58
III. Contract type	827,199,643.11
Product sales contract	825,294,866.03
Lease contract	1,904,777.08
IV. Classification by time of commodity transfer	827,199,643.11
Transfer at a point in time	827,199,643.11

Note 5. Investment income

Sources of investment income	Amount in the current period	Amount in the previous period
Income from long-term equity investments accounted for by using the equity method	19,094,355.62	15,644,117.51
Income from long-term equity investment under cost method	33,136,094.27	15,860,376.61
Investment income from disposal of long-term equity investments		
Investment income during the holding period of trading financial assets		
Investment income from disposal of financial assets held for trading	20,452,662.08	26,559,829.48
Investment income during the holding period of debt investments	7,973,805.59	7,916,342.72
Investment income from disposal of debt investments	5,202,277.88	10,403,789.07
Gains (losses) from derecognition of financial assets measured at amortized costs	-761,249.58	-901,915.19
Total	85,097,945.86	75,482,540.20

XVII. SUPPLEMENTARY INFORMATION

(I) Breakdown of current non-recurring profit or loss

Item	Amount in the current period	Notes
Profit or loss from disposal of non-current assets, including the writing-off part for which the provision for asset impairment is made	-1,282,673.94	
Government subsidies included in the current profit or loss (except for government grants closely related with the normal business of the Company, obtained according to established criteria and in accordance with the national policies and provisions and those continuously affecting the profit or loss of the Company)	10,429,449.75	
Profit or loss from changes in fair value arising from the holding of financial assets and financial liabilities by non-financial enterprises and the profit or loss arising from the disposal of financial assets and liabilities, except for effective hedging operations associated with the Company's normal operations	39,413,798.30	
Fund possession costs included in the current profit or loss and collected from non-financial enterprises	523,904.52	
Reversal of receivables tested for impairment separately, provision for impairment	86,506.39	
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investees upon investment	4,500,542.36	
Non-operating revenue and expenses other than the above-mentioned items	2,058,623.26	
Other items of profit or loss subject to the definition of non-recurring profit or loss		
Total non-recurring profit or loss	55,730,150.64	
Less: Income tax effect of non-recurring profit or loss	7,750,468.36	
Net non-recurring profit or loss	47,979,682.28	
Less: net effect of non-recurring profit or loss attributable to minority shareholders (after tax)	3,091,461.79	
Non-recurring profit or loss attributable to the Company's common shareholders	44,888,220.49	

(II) Return on equity and earnings per share

Profit in the reporting period	Return on weighted average net assets *(%)*	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	6.90	0.18	0.17
Net profits attributable to common shareholders of the Company after deducting non-recurring profit or loss	4.65	0.12	0.12

Jiangsu Olive Sensors High-tech Corporation Limited
(Official seal)
April 16, 2025

(iv) The unaudited consolidated financial statement of the Target Group for the three month ended 31 March 2025 prepared in accordance with the CASBE

QUARTERLY FINANCIAL STATEMENTS

(I) Financial statements

1. Consolidated balance sheet

Prepared by: Jiangsu Olive Sensors High-tech Corporation Limited

March 31, 2025

Unit: RMB

Item	Ending balance	Beginning balance
Current assets:		
Monetary funds	242,459,503.68	274,418,460.50
Balances with clearing companies		
Loans to other banks and financial institutions		
Financial assets held for trading	463,237,127.66	438,086,005.33
Derivative financial assets		
Notes receivable	56,661,523.88	64,418,767.69
Accounts receivable	962,232,784.70	1,002,374,934.17
Receivables financing	453,833,619.37	475,568,241.52
Advances to suppliers	24,414,558.12	27,564,550.53
Premiums receivables		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	23,595,258.48	28,119,837.52
Including: interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	289,303,984.03	265,724,773.42
Including: data resources		
Contract assets	703,925.05	718,389.05
Assets held for sale		
Non-current assets maturing within one year	37,551,791.67	33,082,583.33
Other current assets	447,321,153.35	420,323,474.28
Total current assets	3,001,315,229.99	3,030,400,017.34

Item	Ending balance	Beginning balance
Non-current assets:		
Loans and advances		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	79,726,642.66	73,260,519.54
Investments in other equity instruments		
Other non-current financial assets	48,760,015.45	39,760,015.45
Investment properties		
Fixed assets	585,426,667.38	603,390,139.89
Construction in progress	80,831,987.05	62,066,757.56
Productive biological assets		
Oil and gas assets		
Right-of-use assets	24,008,955.23	23,656,906.94
Intangible assets	94,046,953.12	96,333,241.77
Including: data resources		
Development expenses		
Including: data resources		
Goodwill	27,256,394.78	27,256,394.78
Long-term deferred expenses	1,741,973.87	1,834,049.14
Deferred tax assets	40,504,707.59	42,244,463.74
Other non-current assets	87,419,402.91	103,323,094.33
Total non-current assets	1,069,723,700.04	1,073,125,583.14
Total assets	4,071,038,930.03	4,103,525,600.48

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term borrowings	355,910,717.76	313,860,318.94
Borrowings from central bank		
Loans from other banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	483,451,764.76	312,185,859.37
Accounts payable	574,807,771.67	841,111,809.77
Advances from customers		
Contract liabilities	4,950,594.67	4,132,405.01
Financial assets sold under repurchase agreements		
Absorption of deposits and interbank deposits		
Receivings from vicariously traded securities		
Receivings from vicariously sold securities		
Employee compensation payable	11,174,474.33	27,886,392.65
Taxes and surcharges payable	14,200,098.60	18,439,109.32
Other payables	3,801,887.41	4,359,989.04
Including: interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities maturing within one year	8,720,932.61	8,612,253.15
Other current liabilities	21,073,418.80	20,382,682.70
Total current liabilities	1,478,091,660.61	1,550,970,819.95

Item	Ending balance	Beginning balance
Non-current liabilities:		
Reserves for insurance contracts		
Long-term borrowings	31,720,572.00	31,000,000.00
Bonds payable		
Including: preferred shares		
Perpetual bond		
Lease liabilities	15,770,622.88	15,723,421.75
Long-term payables		
Long-term employee compensation payable		
Estimated liabilities	10,463,537.23	10,304,438.78
Deferred income	60,814,904.78	62,641,113.84
Deferred tax liabilities	37,364,380.96	38,190,519.70
Other non-current liabilities		
Total non-current liabilities	156,134,017.85	157,859,494.07
Total liabilities	1,634,225,678.46	1,708,830,314.02
Owners' equity:		
Share capital	796,548,907.00	796,548,907.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital reserves	187,529,511.80	186,456,182.99
Less: treasury shares		
Other comprehensive income	1,179,860.93	-226,521.59
Special reserves	2,318,846.60	1,888,852.35
Surplus reserve	119,289,888.78	119,289,888.78
General risk reserves		
Undistributed profits	984,145,997.50	955,846,002.42
Total equity attributable to owners of the parent company	2,091,013,012.61	2,059,803,311.95
Minority interests	345,800,238.96	334,891,974.51
Total owners' equity	2,436,813,251.57	2,394,695,286.46
Total liabilities and owners' equity	4,071,038,930.03	4,103,525,600.48

Legal representative:	Chief Financial Officer:	Chief Accountant:
Teng Fei	Kong Youtian	Shen Wanjuan

2. *Consolidated income statement*

Unit: RMB

Item	Amount in the current period	Amount in the previous period
I. Total operating revenue	563,543,493.82	243,030,278.16
Including: operating revenue	563,543,493.82	243,030,278.16
Interest income		
Premiums earned		
Revenue from service fees and commissions		
II. Total operating costs	533,341,031.93	228,993,489.33
Including: operating costs	473,735,758.41	188,058,028.53
Interest expenses		
Handling charges and commission expenses		
Surrender value		
Net amount of compensation payout		
Net insurance liability reserves withdrawn		
Policy dividends		
Reinsurance costs		
Taxes and surcharges	2,125,457.18	979,975.59
Selling expenses	3,140,611.50	1,282,643.51
G&A expenses	31,331,641.26	23,487,101.06
R&D expenses	22,980,234.26	11,050,692.30
Financial expenses	27,329.32	4,135,048.34
Including: interest expenses	3,257,605.07	2,869,178.72
Interest income	566,136.36	530,569.65
Plus: other income	5,193,294.43	2,869,340.83
Investment income (loss expressed with "-")	9,283,000.18	13,762,053.29
Including: income from investment in associates and joint ventures	3,766,390.00	3,253,977.69
Gains from derecognition of financial assets measured at amortized costs		
Exchange gains (loss expressed with "-")		
Net exposure hedging gains (loss expressed with "-")		
Gains from changes in fair value (loss expressed with "-")	-1,338,877.67	6,445,242.27
Losses from credit impairment (loss expressed with "-")	972,911.06	3,433,023.28
Asset impairment losses (loss expressed with "-")	212,838.45	343,041.78
Gains from disposal of assets (loss expressed with "-")	19,026.55	
III. Operating profits (loss expressed with "-")	44,544,654.89	40,889,490.28
Plus: non-operating revenue	519,630.91	1,246,633.21
Less: non-operating expenses	990,417.05	-437,577.59
IV. Total profit (total loss expressed with "-")	44,073,868.75	42,573,701.08
Less: income tax expenses	5,134,792.62	4,763,112.53

Item	Amount in the current period	Amount in the previous period
V. Net profit (net loss expressed with "-")	38,939,076.13	37,810,588.55
(I) Classified by operating sustainability		
1. Net profit from continuing operations (net loss expressed with "-")	38,939,076.13	37,810,588.55
2. Net profit from discontinued operations (net loss expressed with "-")		
(II) Classified by ownership		
1. Net profit attributable to owners of the parent company	28,299,995.08	28,127,031.19
2. Minority interest income	10,639,081.05	9,683,557.36
VI. Other comprehensive income, net of tax	1,406,382.52	-785,999.38
Other comprehensive income, net of tax, attributable to owners of the parent company	1,406,382.52	-785,999.38
(I) Other comprehensive income that cannot be reclassified into profit or loss later		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of investments in other equity instruments		
4. Changes in the fair value of the enterprise's own credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified into profit or loss	1,406,382.52	-785,999.38
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Differences arising from translation of foreign currency financial statements	1,406,382.52	-785,999.38

Item	Amount in the current period	Amount in the previous period
7. Others		
Other comprehensive income, net of tax, attributable to minority shareholders		
VII. Total comprehensive income	40,345,458.65	37,024,589.17
Total comprehensive income attributable to owners of the parent company	29,706,377.60	27,341,031.81
Total comprehensive income attributable to minority shareholders	10,639,081.05	9,683,557.36
VIII. Earnings per share:		
(I) Basic earnings per share	0.04	0.04
(II) Diluted earnings per share	0.04	0.04

For business combination under the common control that occurred in the current period, the net profit realized by the combined party before the combination was: RMB, and the net profit realized by the combined party in the previous period was: RMB.

Legal representative:	Chief Financial Officer:	Chief Accountant:
Teng Fei	Kong Youtian	Shen Wanjuan

3. *Consolidated statement of cash flows*

Unit: RMB

Item	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	562,764,141.73	229,995,432.30
Net increase in deposits from customers and deposits with banks and other financial institutions		
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Cash received from receiving insurance premium of original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Cash received from interests, service fees and commissions		
Net increase in loans from banks and other financial institutions		
Net increase in funds from repurchase business		
Net cash received from vicariously traded securities		
Refunds of taxes and surcharges	1,195,243.69	1,496,595.11
Cash received from other operating activities	50,198,544.25	6,073,595.09
Subtotal of cash inflows from operating activities	614,157,929.67	237,565,622.50
Cash paid for purchase of goods or acceptance of services	452,868,015.11	219,688,648.38
Net increase in loans and advances to customers		
Net increase in deposits with central bank and with banks and other financial institutions		
Cash paid for original insurance contract claims		
Net increase in loans to banks and other financial institutions		
Cash paid for interests, service fees and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	84,211,328.57	41,268,840.40
Cash paid for taxes and surcharges	15,120,646.90	9,368,712.67
Cash paid for other operating activities	39,142,594.64	28,928,383.29
Subtotal of cash outflows from operating activities	591,342,585.22	299,254,584.74
Net cash flows from operating activities	22,815,344.45	-61,688,962.24

Item	Amount in the current period	Amount in the previous period
II. Cash flows from investing activities:		
Cash received from disposal of investments	174,497,500.00	125,000,000.00
Cash received from investment income	5,105,409.95	11,979,283.61
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	20,000.00	
Net cash from disposal of subsidiaries and other business units		
Cash received from other investing activities		195,419,037.89
Subtotal of cash inflows from investing activities	179,622,909.95	332,398,321.50
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	39,244,118.34	86,519,440.39
Cash paid for investments	150,900,000.00	117,000,000.00
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units	9,000,000.00	1,000,000.00
Cash paid for other investing activities	63,318,333.35	91,999,022.80
Subtotal of cash outflows from investing activities	262,462,451.69	296,518,463.19
Net cash flows from investing activities	-82,839,541.74	35,879,858.31
III. Cash flows from financing activities:		
Cash received from investors		
Including: cash received by subsidiaries from investments of minority shareholders		
Cash received from borrowings	112,460,000.00	100,000,000.00
Cash received from other financing activities	9,463,751.62	1,100,000.00
Subtotal of cash inflows from financing activities	121,923,751.62	101,100,000.00
Cash paid for debt repayments	91,008,472.22	3,600,000.00
Cash paid for distribution of dividends and profits or payment of interests	1,949,027.61	2,658,261.12
Including: dividends and profit paid to minority shareholders by subsidiaries		
Cash paid for other financing activities	21,004,389.85	
Sub-total of cash outflows from financing activities	113,961,889.68	6,258,261.12
Net cash flows from financing activities	7,961,861.94	94,841,738.88
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	298,988.68	-254,448.67
V. Net increase in cash and cash equivalents	-51,763,346.67	68,778,186.28
Plus: beginning balance of cash and cash equivalents	210,715,351.70	93,762,083.57
VI. Ending balance of cash and cash equivalents	158,952,005.03	162,540,269.85

(II) Items related to the financial statements for 2025 in which the adjustments of new accounting standards are implemented

☐ Applicable ☑ Not applicable

(III) Auditor's Report

Whether the Q1 Report has been audited

☐ Yes ☑ No

The Q1 Report of the Company has not been audited.

Board of Directors of Jiangsu Olive Sensors High-tech Corporation Limited

April 23, 2025

2. DIFFERENCES IN ACCOUNTING POLICIES ADOPTED BY THE COMPANY AND THE TARGET COMPANY

As described in the section entitled "Letter from the Board – Waiver from Strict Compliance with Rule 14.67(6)(a)(i) of the Hong Kong Listing Rules", the Company has applied to the Hong Kong Stock Exchange for, and been granted, a waiver from the requirement to issue an accountants' report on Target Company and its subsidiaries (the "**Target Group**") in accordance with Rule 14.67(6)(a)(i) of the Listing Rules.

Instead, this circular contains a copy of the English translation of the audited consolidated financial statements of the Target Group for the financial years ended 31 December 2022, 2023 and 2024 and unaudited consolidated financial statements of the Target Group for the three months ended 31 March 2025 prepared in accordance with China Accounting Standards for Business Enterprise ("**CASBE**") (the "**Target Group Historical Track Record Accounts**") as set out in the section entitled "Financial Information of the Target Group".

The Target Group Historical Track Record Accounts cover the consolidated statement of financial position of the Target Group as at 31 December 2022, 2023 and 2024 and 31 March 2025 and the consolidated income statement, consolidated changes in equity, consolidated statement of cash flows, and the notes to the consolidated financial statements of the Target Group for each of the years ended 31 December 2022, 2023 and 2024 and three months ended 31 March 2025 (the "**Reporting Periods**").

The accounting policies adopted in the preparation of the Target Group Historical Track Record Accounts are substantially consistent with the accounting policies adopted by the Company, which comply with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, except for the reclassification of certain account captions as set out in Note i to the "Reconciliation".

Reconciliation Information

I. Basis of Preparation

In addition to inclusion of the Target Group Historical Track Record Accounts in the circular, a reconciliation has been prepared by the Directors of the Company by comparing the accounting policies adopted by the Target Company for the preparation of the Target Group Historical Track Record Accounts and the accounting policies adopted by the Company, and quantifying the relevant material financial effects of such differences as if it had been prepared in accordance with the accounting policies adopted by the Company which are in the compliance with IFRS (the "**Reconciliation Information**"). Your attention is drawn to the fact that as the Reconciliation Information has not been subject to an independent audit and accordingly, no opinion is expressed by an auditor or reporting accountants on whether it presents a true and fair view of the Target Group's consolidated financial position as at 31 December 2022, 2023, 2024 and 31 March 2025, nor its consolidated results for the years or the period then ended under the accounting policies adopted by the Company.

RSM Hong Kong was engaged by the Company to conduct work on the Reconciliation Information in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The work conducted by RSM Hong Kong consisted primarily of:

(a) comparing the "Unadjusted CASBE Financial Information" of the Reconciliation Information with the audited consolidated financial statements of the Target Group under CASBE for each of the years ended 31 December 2022, 2023 and 2024 and the unaudited consolidated financial statements of the Target Group under CASBE for the three months ended 31 March 2025, as set out in Appendix II to this circular;

(b) assessing the appropriateness of the adjustments made in arriving at the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies" of the Reconciliation Information, which included evaluating the differences between the accounting policies adopted by the Target Group and the Company for each of the years ended 31 December 2022, 2023 and 2024 and for the three months ended 31 March 2025, as set out in Appendix II to this circular, and obtaining evidence supporting the adjustments made in arriving at the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies"; and

(c) checking the arithmetic accuracy of the calculation of the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies" of the Reconciliation Information.

For the purposes of this engagement, RSM Hong Kong is not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Reconciliation Information, nor have RSM Hong Kong, in the course of this engagement, performed an audit or review of the financial information used in compiling the Reconciliation Information. RSM Hong Kong's engagement was intended solely for the use of the board of directors of the Company in connection with this circular and may not be suitable for any other purpose.

Based on the work performed, RSM Hong Kong has concluded that:

(a) the "Unadjusted CASBE Financial Information" of the Reconciliation Information is in agreement with the audited consolidated financial statements of the Target Group prepared under CASBE for each of the years ended 31 December 2022, 2023 and 2024 and the unaudited consolidated financial statements of the Target Group under CASBE for the three months ended 31 March 2025, as set out in Appendix II to this circular;

(b) the adjustments made in arriving at the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies" of the Reconciliation Information reflect, in all material respects, the differences between the accounting policies adopted by the Target Group and the Company for each of the years ended 31 December 2022, 2023 and 2024 and for the three months ended 31 March 2025, as set out in Appendix II to this circular; and

(c) the calculation of the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies" of the Reconciliation Information is arithmetically accurate.

II. Reconciliation

Consolidated Balance Sheet as at 31 March 2025

	Unadjusted CASBE Financial Information	**Reclassification**	**Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies**
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Fixed assets	585,427	(585,427)	–
Construction in progress	80,832	(80,832)	–
Long-term deferred expenses	1,742	(1,742)	–
Property, plant and equipment	–	668,001	668,001
Right-of-use assets	24,009	50,770	74,779
Intangible assets	94,047	(50,770)	43,277
Goodwill	27,256	–	27,256
Long-term equity investment	79,727	(79,727)	–
Investments in associates	–	79,727	79,727
Other non-current financial assets	48,760	(48,760)	–
Other financial assets	–	105,429	105,429
Other non-current assets	87,419	(87,419)	–
Deposits paid for acquisition of property, plant and equipment	–	30,750	30,750
Deferred tax assets	40,505	–	40,505
	1,069,724	–	1,069,724

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Bank and cash balances	242,459	(83,507)	158,952
Pledged bank deposits	–	83,507	83,507
Financial assets held for trading	463,237	(463,237)	–
Other financial assets	–	945,053	945,053
Bills receivables	56,661	(56,661)	–
Trade receivables	962,233	(962,233)	–
Receivables financing	453,834	(453,834)	–
Trade and bills receivables	–	1,472,728	1,472,728
Prepayments	24,415	(24,415)	–
Other receivables	23,595	(23,595)	–
Prepayments, deposits and other receivables	–	40,490	40,490
Amounts due from related parties	–	10,577	10,577
Contract assets	704	–	704
Inventories	289,304	–	289,304
Current portion of non-current assets	37,552	(37,552)	–
Other current assets	447,321	(447,321)	–
Current tax assets	–	–	–
	3,001,315	–	3,001,315

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Short-term borrowings	355,911	(355,911)	–
Bank borrowings	–	355,911	355,911
Bills payables	483,452	(483,452)	–
Trade payables	574,808	(574,808)	–
Trade and bills payables	–	1,079,287	1,079,287
Contract liabilities	4,951	–	4,951
Employee benefits payables	11,174	(11,174)	–
Tax payables	14,200	(14,200)	–
Other payables	3,802	(3,802)	–
Current portion of non-current liabilities	8,721	(8,721)	–
Lease liabilities	–	8,721	8,721
Other current liabilities	21,073	(21,073)	–
Accruals and other payables	–	21,247	21,247
Current tax liabilities	–	7,975	7,975
	1,478,092	–	1,478,092
Net current assets	1,523,223	–	1,523,223
Total assets less current liabilities	2,592,947	–	2,592,947
Non-current liabilities			
Deferred income	60,815	–	60,815
Long-term borrowings	31,721	(31,721)	–
Bank borrowings	–	31,721	31,721
Lease liabilities	15,770	–	15,770
Provisions	10,464	–	10,464
Deferred tax liabilities	37,364	–	37,364
	156,134	–	156,134
NET ASSETS	2,436,813	–	2,436,813

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Capital and reserves			
Share capital	796,549	–	796,549
Capital reserve	187,530	(187,530)	–
Other comprehensive income	1,180	(1,180)	–
Special reserve	2,318	(2,318)	–
Surplus reserve	119,290	(119,290)	–
Retained profits	984,146	(984,146)	–
Reserves	–	1,294,464	1,294,464
	2,091,013	–	2,091,013
Non-controlling interests	345,800	–	345,800
Total equity	2,436,813	–	2,436,813

Consolidated Income Statement for the three months ended 31 March 2025

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Operating revenue	563,543	(563,543)	–
Revenue	–	563,543	563,543
Operating costs	(473,736)	473,736	–
Taxes and surcharges	(2,125)	2,125	–
Selling expenses	(3,141)	(492)	(3,633)
Administrative expenses	(31,332)	(3,398)	(34,730)
Research and development expenses	(22,980)	–	(22,980)
Financial expenses	(27)	27	–
Cost of sales	–	(473,243)	(473,243)
Finance costs	–	(3,257)	(3,257)
Share of profits of associates	–	3,766	3,766
Investment income	9,283	(9,283)	–
Other income	5,193	(5,193)	–
Investment and other income	–	9,363	9,363
Fair value changes income	(1,339)	1,339	–
Gain on disposal of assets	19	(19)	–
Asset impairment losses	213	(213)	–
Credit impairment losses	973	(973)	–
Non-operating income	520	(520)	–
Non-operating expenses	(990)	990	–
Other gains, net	–	4,272	4,272
Impairment losses on trade and bills receivables	–	711	711
Impairment losses on prepayments, deposits and other receivables	–	262	262
Profit before tax	44,074	–	44,074
Income tax expenses	(5,135)	–	(5,135)
Profit for the year	38,939	–	38,939

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to:			
Owners of the Company	28,300	–	28,300
Non-controlling interests	10,639	–	10,639
	38,939	–	38,939
Other comprehensive income:			
Owners of the Company	1,406	–	1,406
Non-controlling interests	–	–	–
	1,406	–	1,406
Total comprehensive income:			
Owners of the Company	29,706	–	29,706
Non-controlling interests	10,639	–	10,639
	40,345	–	40,345

Consolidated Balance Sheet as at 31 December 2024

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Fixed assets	603,390	(603,390)	–
Construction in progress	62,067	(62,067)	–
Long-term deferred expenses	1,834	(1,834)	–
Property, plant and equipment	–	667,291	667,291
Right-of-use assets	23,657	51,172	74,829
Intangible assets	96,333	(51,172)	45,161
Goodwill	27,256	–	27,256
Long-term equity investment	73,261	(73,261)	–
Investments in associates	–	73,261	73,261
Other non-current financial assets	39,760	(39,760)	–
Other financial assets	–	118,396	118,396
Other non-current assets	103,323	(103,323)	–
Deposits paid for acquisition of property, plant and equipment	–	24,687	24,687
Deferred tax assets	42,244	–	42,244
	1,073,125	–	1,073,125

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Bank and cash balances	274,418	(63,703)	210,715
Pledged bank deposits	–	63,703	63,703
Financial assets held for trading	438,086	(438,086)	–
Other financial assets	–	884,145	884,145
Bills receivables	64,419	(64,419)	–
Trade receivables	1,002,375	(1,002,375)	–
Receivables financing	475,568	(475,568)	–
Trade and bills receivables	–	1,542,362	1,542,362
Prepayments	27,565	(27,565)	–
Other receivables	28,120	(28,120)	–
Prepayments, deposits and other receivables	–	52,800	52,800
Amounts due from related parties	–	10,210	10,210
Contract assets	718	–	718
Inventories	265,725	–	265,725
Current portion of non-current assets	33,083	(33,083)	–
Other current assets	420,323	(420,323)	–
Current tax assets	–	22	22
	3,030,400	–	3,030,400

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Short-term borrowings	313,860	(313,860)	–
Bank borrowings	–	313,860	313,860
Bills payables	312,186	(312,186)	–
Trade payables	841,113	(841,113)	–
Trade and bills payables	–	1,173,429	1,173,429
Contract liabilities	4,132	–	4,132
Employee benefits payables	27,886	(27,886)	–
Tax payables	18,439	(18,439)	–
Other payables	4,360	(4,360)	–
Current portion of non-current liabilities	8,612	(8,612)	–
Lease liabilities	–	8,612	8,612
Other current liabilities	20,383	(20,383)	–
Accruals and other payables	–	36,594	36,594
Current tax liabilities	–	14,344	14,344
	1,550,971	–	1,550,971
Net current assets	1,479,429	–	1,479,429
Total assets less current liabilities	2,552,554	–	2,552,554
Non-current liabilities			
Deferred income	62,641	–	62,641
Long-term borrowings	31,000	(31,000)	–
Bank borrowings	–	31,000	31,000
Lease liabilities	15,723	–	15,723
Provisions	10,304	–	10,304
Deferred tax liabilities	38,191	–	38,191
	157,859	–	157,859
NET ASSETS	2,394,695	–	2,394,695

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Capital and reserves			
Share capital	796,549	–	796,549
Capital reserve	186,456	(186,456)	–
Other comprehensive income	(227)	227	–
Special reserve	1,889	(1,889)	–
Surplus reserve	119,290	(119,290)	–
Retained profits	955,846	(955,846)	–
Reserves	–	1,263,254	1,263,254
	2,059,803	–	2,059,803
Non-controlling interests	334,892	–	334,892
Total equity	2,394,695	–	2,394,695

Consolidated Income Statement for the year ended 31 December 2024

	Unadjusted CASBE Financial Information	**Reclassification**	**Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies**
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Operating revenue	1,669,566	(1,669,566)	–
Revenue	–	1,669,566	1,669,566
Operating costs	(1,314,006)	1,314,006	–
Taxes and surcharges	(7,073)	7,073	–
Selling expenses	(11,012)	(16,520)	(27,532)
Administrative expenses	(112,135)	(9,686)	(121,821)
Research and development expenses	(60,640)	–	(60,640)
Financial expenses	(11,063)	11,063	–
Cost of sales	–	(1,297,485)	(1,297,485)
Finance costs	–	(10,931)	(10,931)
Share of profits of associates	–	25,689	25,689
Investment income	67,454	(67,454)	–
Other income	20,883	(20,883)	–
Investment and other income	–	42,369	42,369
Fair value changes income	1,009	(1,009)	–
Gain on disposal of assets	370	(370)	–
Asset impairment losses	(11,898)	11,898	–
Credit impairment losses	(29,312)	29,312	–
Non-operating income	2,682	(2,682)	–
Non-operating expenses	(2,276)	2,276	–
Other gains, net	–	12,646	12,646
Impairment losses on trade and bills receivables	–	(28,587)	(28,587)
Impairment losses on prepayments, deposits and other receivables	–	(725)	(725)
Profit before tax	202,549	–	202,549
Income tax expenses	(18,719)	–	(18,719)
Profit for the year	183,830	–	183,830

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to:			
Owners of the Company	137,882	–	137,882
Non-controlling interests	45,948	–	45,948
	183,830	–	183,830
Other comprehensive income:			
Owners of the Company	(1,231)	–	(1,231)
Non-controlling interests	–	–	–
	(1,231)	–	(1,231)
Total comprehensive income:			
Owners of the Company	136,651	–	136,651
Non-controlling interests	45,948	–	45,948
	182,599	–	182,599

Consolidated Balance Sheet as at 31 December 2023

	Unadjusted CASBE Financial Information	**Reclassification**	**Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies**
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Fixed assets	298,575	(298,575)	–
Construction in progress	60,250	(60,250)	–
Long-term deferred expenses	38	(38)	–
Property, plant and equipment	–	358,863	358,863
Right-of-use assets	20,408	27,019	47,427
Intangible assets	34,831	(27,018)	7,813
Goodwill	60	–	60
Long-term equity investment	243,976	(243,976)	–
Investments in associates	–	243,976	243,976
Other non-current financial assets	39,644	(39,644)	–
Other financial assets	–	148,001	148,001
Other non-current assets	132,314	(132,314)	–
Deposits paid for acquisition of property, plant and equipment	–	23,956	23,956
Deferred tax assets	23,041	–	23,041
	853,137	–	853,137

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Bank and cash balances	95,167	(1,405)	93,762
Pledged bank deposits	–	1,405	1,405
Financial assets held for trading	481,460	(481,460)	–
Other financial assets	–	1,160,287	1,160,287
Bills receivables	39,731	(39,731)	–
Trade receivables	470,652	(470,652)	–
Receivables financing	51,507	(51,507)	–
Trade and bills receivables	–	561,890	561,890
Prepayments	25,278	(25,278)	–
Other receivables	9,986	(9,986)	–
Prepayments, deposits and other receivables	–	34,816	34,816
Amounts due from related parties	–	7,242	7,242
Contract assets	–	–	–
Inventories	159,552	–	159,552
Other current assets	685,621	(685,621)	–
	2,018,954	–	2,018,954

	Unadjusted CASBE Financial Information (Unaudited) RMB'000	Reclassification (Note i) RMB'000	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited) RMB'000
Current liabilities			
Short-term borrowings	283,425	(283,425)	–
Bank borrowings	–	340,625	340,625
Bills payables	4,262	(4,262)	–
Trade payables	229,019	(229,019)	–
Trade and bills payables	–	239,177	239,177
Contract liabilities	2,418	–	2,418
Employee benefits payables	14,784	(14,784)	–
Tax payables	12,567	(12,567)	–
Other payables	4,165	(4,165)	–
Current portion of non-current liabilities	65,766	(65,766)	–
Lease liabilities	–	8,567	8,567
Other current liabilities	5,950	(5,950)	–
Accruals and other payables	–	21,427	21,427
Current tax liabilities	–	10,142	10,142
	622,356	–	622,356
Net current assets	1,396,598	–	1,396,598
Total assets less current liabilities	2,249,735	–	2,249,735
Non-current liabilities			
Deferred income	49,256	–	49,256
Long-term borrowings	74,800	(74,800)	–
Bank borrowings	–	74,800	74,800
Lease liabilities	13,931	–	13,931
Provisions	1,327	–	1,327
Deferred tax liabilities	25,132	–	25,132
	164,446	–	164,446
NET ASSETS	2,085,289	–	2,085,289

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Capital and reserves			
Share capital	791,529	–	791,529
Capital reserve	168,195	(168,195)	–
Other comprehensive income	1,005	(1,005)	–
Special reserve	–	–	–
Surplus reserve	107,622	(107,622)	–
Retained profits	877,124	(877,124)	–
Reserves	–	1,153,946	1,153,946
	1,945,475	–	1,945,475
Non-controlling interests	139,814	–	139,814
Total equity	2,085,289	–	2,085,289

Consolidated Income Statement for the year ended 31 December 2023

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Operating revenue	1,121,467	(1,121,467)	–
Revenue	–	1,121,467	1,121,467
Operating costs	(854,376)	854,376	–
Taxes and surcharges	(5,592)	5,592	–
Selling expenses	(5,973)	(73)	(6,046)
Administrative expenses	(87,242)	(10,172)	(97,414)
Research and development expenses	(45,602)	–	(45,602)
Financial expenses	(3,697)	3,697	–
Cost of sales	–	(854,303)	(854,303)
Finance costs	–	(9,906)	(9,906)
Share of profits of associates	–	20,546	20,546
Investment income	66,269	(66,269)	–
Other income	13,384	(13,384)	–
Investment and other income	–	36,452	36,452
Fair value changes income	364	(364)	–
Gain on disposal of assets	110	(110)	–
Asset impairment losses	(4,237)	4,237	–
Credit impairment losses	(10,330)	10,330	–
Non-operating income	985	(985)	–
Non-operating expenses	(4,330)	4,330	–
Other gains, net	–	26,336	26,336
Impairment losses on trade and bills receivables	–	(10,066)	(10,066)
Impairment losses on prepayments, deposits and other receivables	–	(264)	(264)
Profit before tax	181,200	–	181,200
Income tax expenses	(16,762)	–	(16,762)
Profit for the year	164,438	–	164,438

	Unadjusted CASBE Financial Information	**Reclassification**	**Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies**
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to:			
Owners of the Company	123,870	–	123,870
Non-controlling interests	40,568	–	40,568
	164,438	–	164,438
Other comprehensive income:			
Owners of the Company	2,739	–	2,739
Non-controlling interests	–	–	–
	2,739	–	2,739
Total comprehensive income:			
Owners of the Company	126,609	–	126,609
Non-controlling interests	40,568	–	40,568
	167,177	–	167,177

Consolidated Balance Sheet as at 31 December 2022

	Unadjusted CASBE Financial Information	**Reclassification**	**Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies**
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Fixed assets	210,296	(210,296)	–
Construction in progress	39,982	(39,982)	–
Long-term deferred expenses	294	(294)	–
Property, plant and equipment	–	250,572	250,572
Right-of-use assets	12,085	27,863	39,948
Intangible assets	34,206	(27,863)	6,343
Goodwill	60	–	60
Long-term equity investment	58,792	(58,792)	–
Investments in associates	–	58,792	58,792
Other non-current financial assets	49,320	(49,320)	–
Other financial assets	–	49,320	49,320
Other non-current assets	14,812	(14,812)	–
Deposits paid for acquisition of property, plant and equipment	–	14,812	14,812
Deferred tax assets	14,736	–	14,736
	434,583	–	434,583

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Bank and cash balances	172,402	(3,798)	168,604
Pledged bank deposits	–	3,798	3,798
Financial assets held for trading	946,420	(946,420)	–
Other financial assets	–	1,233,723	1,233,723
Bills receivables	108,677	(108,677)	–
Trade receivables	288,070	(288,070)	–
Trade and bills receivables	–	396,747	396,747
Prepayments	49,573	(49,573)	–
Other receivables	11,295	(11,295)	–
Prepayments, deposits and other receivables	–	53,938	53,938
Amounts due from related parties	–	10,259	10,259
Inventories	168,271	–	168,271
Current portion of non-current assets	–	–	–
Other current assets	290,632	(290,632)	–
	2,035,340	–	2,035,340

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Short-term borrowings	159,000	(159,000)	–
Bank borrowings	–	159,000	159,000
Bills payables	10,850	(10,850)	–
Trade payables	149,183	(149,183)	–
Trade and bills payables	–	160,033	160,033
Contract liabilities	1,196	–	1,196
Employee benefits payables	9,835	(9,835)	–
Tax payables	59,778	(59,778)	–
Other payables	5,000	(5,000)	–
Current portion of non-current liabilities	4,180	(4,180)	–
Lease liabilities	–	4,179	4,179
Other current liabilities	80	(80)	–
Accruals and other payables	–	21,153	21,153
Current tax liabilities	–	53,541	53,541
	399,102	–	399,102
Net current assets	1,636,238	–	1,636,238
Total assets less current liabilities	2,070,821	–	2,070,821
Non-current liabilities			
Deferred income	39,217	–	39,217
Lease liabilities	8,498	–	8,498
Provisions	–	–	–
Deferred tax liabilities	18,369	–	18,369
	66,084	–	66,084
NET ASSETS	2,004,737	–	2,004,737

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Capital and reserves			
Share capital	791,529	–	791,529
Capital reserve	144,598	(144,598)	–
Other comprehensive income	(1,734)	1,734	–
Special reserve	–	–	–
Surplus reserve	98,608	(98,608)	–
Retained profits	857,251	(857,251)	–
Reserves	–	1,098,723	1,098,723
	1,890,252	–	1,890,252
Non-controlling interests	114,485	–	114,485
Total equity	2,004,737	–	2,004,737

Consolidated Income Statement for the year ended 31 December 2022

	Unadjusted CASBE Financial Information *(Unaudited)* *RMB'000*	**Reclassification** *(Note i)* *RMB'000*	**Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies** *(Unaudited)* *RMB'000*
Operating revenue	961,316	(961,316)	–
Revenue	–	961,316	961,316
Operating costs	(732,259)	732,259	–
Taxes and surcharges	(5,672)	5,672	–
Selling expenses	(5,129)	–	(5,129)
Administrative expenses	(62,854)	(7,395)	(70,249)
Research and development expenses	(41,603)	–	(41,603)
Financial expenses	(1,225)	1,225	–
Cost of sales	–	(732,259)	(732,259)
Finance costs	–	(7,023)	(7,023)
Share of profits of associates	–	3,701	3,701
Investment income	262,187	(262,187)	–
Other income	6,406	(6,406)	–
Investment and other income	–	28,993	28,993
Fair value changes income	(4,583)	4,583	–
Gain on disposal of assets	61	(61)	–
Asset impairment losses	(8,632)	8,632	–
Credit impairment losses	(964)	964	–
Non-operating income	1,075	(1,075)	–
Non-operating expenses	(1,497)	1,497	–
Other gains, net	–	229,844	229,844
Impairment losses on trade and bills receivables	–	(912)	(912)
Impairment losses on prepayments, deposits and other receivables	–	(52)	(52)
Profit before tax	366,627	–	366,627
Income tax expenses	(57,647)	–	(57,647)
Profit for the year	308,980	–	308,980

	Unadjusted CASBE Financial Information	Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies
	(Unaudited)	*(Note i)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to:			
Owners of the Company	277,291	–	277,291
Non-controlling interests	31,689	–	31,689
	308,980	–	308,980
Other comprehensive income:			
Owners of the Company	434	–	434
Non-controlling interests	–	–	–
	434	–	434
Total comprehensive income:			
Owners of the Company	277,725	–	277,725
Non-controlling interests	31,689	–	31,689
	309,414	–	309,414

Note:

i. The line items and amounts under CASBE are extracted from the consolidated financial statements of the Target Group for each of the years ended 31 December 2022, 2023 and 2024 and for the three months ended 31 March 2025 prepared in accordance with CASBE. The line items and amounts under IFRS are prepared by the Directors of the Company using the accounting policies applied in the consolidated financial statements of the Company in accordance with IFRS respectively for each of the years ended 31 December 2022, 2023 and 2024 and for the three months ended 31 March 2025. To align with the presentation of the consolidated financial statements of the Target Group with that of the Company, reclassification adjustments are made according to the Company's accounting policies under IFRS by splitting or grouping certain account captions of the Target Group. These reclassifications do not have any impact on the net profit nor the net assets of the Target Group.

III. Supplemental Financial Information of the Target Group

The Company sets out the following supplemental financial information of the Target Group, which was not included in the Target Group's consolidated financial statements for each of the years ended 31 December 2022, 2023 and 2024 and for the three months ended 31 March 2025.

1. Aging Analysis of Trade Payables

The aging analysis of trade payables, based on the date of receipt of goods is as follows:

	31 March	**31 December**		
	2025	**2024**	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	544,704	814,075	218,997	140,197
1-2 years	17,019	15,989	6,551	7,217
Over 2 years	13,085	11,049	3,471	1,769
	574,808	841,113	229,019	149,183

2. Concentration of customers

At the end of each reporting period, concentration of credit risk related to the largest customer did not exceed 20% of the total trade receivables.

Revenue from major customer (over 10% of the total revenue):

	31 March	**31 December**		
	2025	**2024**	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer A	180,217	262,227	N/A	N/A
Customer B	N/A	195,438	187,673	181,682
Customer C	N/A	N/A	N/A	104,537

N/A represents the revenue from that customer amounted to less than 10% of the total revenue of the Target Group.

3. Five highest paid individuals

Total employee benefits payable to the five highest paid employees at the Target Group is as follows:

	31 March	31 December		
	2025	2024	2023	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries and allowances	1,508	3,731	2,769	2,768
Retirement benefit scheme contributions	43	44	43	33
	1,551	3,775	2,812	2,801

4. Directors' and supervisors' emoluments

The remuneration of the Target Group's directors and supervisors for the three months ended 31 March 2025 is set out below:

	Fee	Salaries and allowance	Discretionary bonus	Retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Teng Fei	–	95	138	2	235
Li Jiawen	–	–	–	–	–
Fang Tailang	–	65	53	2	120
Non-executive directors:					
Yu Ping	19	–	–	–	19
Pan Chuanqi	19	–	–	–	19
Supervisors:					
Cai Yuhai	–	28	13	–	41
Wang Xiuhong	–	29	14	–	43
Tian Qiuyue	–	42	20	2	64
	38	259	238	6	541

The remuneration of the Target Group's directors and supervisors for the year ended 31 December 2024 is set out below:

	Fee	Salaries and allowance	Discretionary bonus	Retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Teng Fei	–	352	850	9	1,211
Li Jiawen	–	–	–	–	–
Fang Tailang	–	252	360	9	621
Non-executive directors:					
Yu Ping	75	–	–	–	75
Pan Chuanqi	75	–	–	–	75
Supervisors:					
Cai Yuhai	–	122	–	9	131
Wang Xiuhong	–	125	–	9	134
Tian Qiuyue	–	157	–	9	166
	150	1,008	1,210	45	2,413

The remuneration of the Target Group's directors and supervisors for the year ended 31 December 2023 is set out below:

	Fee	Salaries and allowance	Discretionary bonus	Retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Teng Fei	–	371	429	9	809
Li Jiawen	–	–	–	–	–
Fang Tailang	–	250	168	9	427
Non-executive directors:					
Yu Ping	60	–	–	–	60
Pan Chuanqi	60	–	–	–	60
Supervisors:					
Cai Yuhai	–	120	–	9	129
Wang Xiuhong	–	123	–	9	132
Tian Qiuyue	–	156	–	9	165
	120	1,020	597	45	1,782

The remuneration of the Target Group's directors and supervisors for the year ended 31 December 2022 is set out below:

	Fee	Salaries and allowance	Discretionary bonus	Retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Li Hongqing	–	463	–	–	463
Teng Fei	–	371	350	8	729
Fang Tailang	–	250	160	8	418
Non-executive directors:					
Tang Biao	60	–	–	–	60
Zhang Bin	60	–	–	–	60
Supervisors:					
Cai Yuhai	–	120	–	8	128
Wang Xiuhong	–	124	–	8	132
Tian Qiuyue	–	156	–	8	164
	120	1,484	510	40	2,154

Executive directors:

1. On 1 June 2005 Mr. Li Hongqing was appointed as the chairman of the Target Company and was re-appointed in the first, second, third, fourth and fifth session of the Board of the Target Company. On 27 December 2022 Mr. Li Hongqing was retired from the chairman due to the expiration of his term.

2. On 26 April 2006 Mr. Teng Fei was appointed as an executive director of the Target Company and was re-appointed in the first, second, third and fourth session of the Board of the Target Company. On 13 January 2023 Mr. Teng Fei was appointed as the chairman of the Target Company in the fifth session of the Board of the company.

3. On 13 November 2019 Mr. Fang Tailang was appointed as an executive director of the Target Company in the fourth session of the Board of the Target Company and was re-appointed in the fifth session of the Board of the Target Company.

4. On 27 December 2022 Mr. Li Jiawen was appointed as an executive director of the Target Company in the fifth session of the Board of the Target Company.

Non-executive directors:

1. On 14 November 2016 Mr. Tang Biao was appointed as a non-executive director of the Target Company in the third session of the Board of the Target Company and was re-appointed in the fourth session of the Board of the Target Company. On 27 December 2022 he was retired from the not non-executive director due to the expiration of his term.

2. On 14 November 2016 Mr. Zhang Bin was appointed as a non-executive director of the Target Company in the third session of the Board of the Target Company and was re-appointed in the fourth session of the Board of the Target Company. On 27 December 2022 he was retired from the not non-executive director due to the expiration of his term.

3. On 27 December 2022 Mr. Yu Ping was appointed as a non-executive director of the Target Company in the fifth session of the Board of the Target Company.

4. On 27 December 2022 Mr. Pan Chuanqi was appointed as a non-executive director of the Target Company in the fifth session of the Board of the Target Company.

Supervisors:

1. On 8 October 2013 Mr. Cai Yuhai was appointed as a supervisor of the Target Company and was re-appointed in the first, second, third, fourth, and fifth session of the Board of the Target Company.

2. On 8 October 2013 Ms. Wang Xiuhong was appointed as a supervisor of the Target Company and was re-appointed in the first, second, third, fourth, and fifth session of the Board of the Target Company.

3. On 8 October 2013 Ms. Tian Qiuyue was appointed as a supervisor of the Target Company and was re-appointed in the first, second, third, fourth, and fifth session of the Board of the Target Company.

5. Auditor Remuneration

	31 March	31 December		
	2025	**2024**	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Audit service	–	1,000	800	800
Non-audit service	–	–	–	–
	–	1,000	800	800

The financial information (including management discussion and analysis) of the Target Company for the financial years ended 31 December 2022, 2023 and 2024 is disclosed in the annual reports of the Target Company for the three years ended 31 December 2024, which are available on the website of the Shenzhen Stock Exchange at https://www.szse.cn.

The following discussion and analysis have been prepared on the basis of the information disclosed in the aforesaid annual reports of the Target Company, and must be read in conjunction with the financial information of the Target Company for the years ended 31 December 2022, 2023 and 2024, as extracted from the respective annual reports of the Target Company, set out in Appendix II to this Circular.

BUSINESS OVERVIEW

The Target Company is a company established under the laws of the PRC and its shares are listed on the Shenzhen Stock Exchange (stock code: 300507). The Target Company is primarily engaged in the research and development, production and sales of automotive parts and automotive intelligent products as well as various types of automotive sensors. The Target Company has built up a diversified product matrix, covering four core segments of sensors and accessories, fuel system accessories, automotive interior parts and new energy components. Meanwhile, Bonaire, its subsidiary, specializes in the research, development and production of automotive thermal management system components, which further enhances its business layout and enables it to provide customers with more comprehensive products and solutions.

Liquidity, Capital Resources and Capital Structure

The following table sets forth a summary of the financial position of the Target Company as at the dates indicated below.

	As at 31 December 2022 *(Audited)* *RMB'000*	**As at 31 December 2023** *(Audited)* *RMB'000*	**As at 31 December 2024** *(Audited)* *RMB'000*
Non-current assets	434,583.07	853,137.66	1,073,125.58
Current assets	2,035,339.96	2,018,953.98	3,030,400.02
Total assets	2,469,923.03	2,872,091.64	4,103,525.60
Non-current liabilities	66,083.87	164,445.67	157,859.49
Current liabilities	399,101.69	622,356.49	1,550,970.82
Total liabilities	465,185.56	786,802.16	1,708,830.31

Assets

As at 31 December 2024, the total assets of the Target Company amounted to RMB4,103.53 million, representing an increase of RMB1,231.43 million, or approximately 42.9%, as compared to approximately RMB2,872.09 million as at 31 December 2023, mainly due to the step-up acquisition of Bonaire in which control was obtained. The Target Company additionally acquired 24% equity interest in Bonaire in 2024 to expand its automotive parts supply chain, for the purpose of a business combination.

As at 31 December 2023, the total assets of the Target Company amounted to RMB2,872.09 million, representing an increase of RMB402.17 million, or approximately 16.3%, as compared to approximately RMB2,469.92 million as at 31 December 2022, mainly due to (i) an increase in equity investment, as the Target Company acquired a 37.5% equity interest in Bonaire with consideration of RMB161.25 million; and (ii) substantial capital investments in new plants and production equipment to enhance competitiveness driven by the reform and growth of the automotive industry.

As at 31 December 2024, the net assets of the Target Company amounted to RMB2,394.70 million, representing an increase of RMB309.41 million, or approximately 14.8%, as compared to approximately RMB2,085.29 million as at 31 December 2023, mainly due to (i) a non-controlling interest recognized for the equity interest of Bonaire owned by other shareholders; and (ii) the sustained growth in its scale of business and related growth in profitability.

As at 31 December 2023, the net assets of the Target Company amounted to RMB2,085.29 million, representing an increase of RMB80.55 million, or approximately 4.0%, as compared to approximately RMB2,004.74 million as at 31 December 2022, mainly due to the sustained growth in its scale of business and related growth in profitability.

Cash Resources

As at 31 December 2022, 2023 and 2024, the Target Company's cash resources, comprising cash and cash equivalents (including restricted monetary funds) primarily denominated in Renminbi, financial assets at fair value through profit or loss, and the aggregate principal of and interest on large negotiable time certificates of deposit, amounted to RMB1,406.12 million, RMB1,363.81 million and RMB1,237.20 million, respectively. The Target Company has adequate cash resources.

The Target Company's cash resources decreased by 3.0% to RMB1,363.81 million as at 31 December 2023 compared to RMB1,406.12 million as of 31 December 2022, and further declined by 9.3% to RMB1,237.20 million as at 31 December 2024, compared to RMB1,363.81 as at 31 December 2023, primarily due to ongoing capital expenditures for new plants and production equipment, and payment of Bonaire acquisition consideration.

Bank Borrowings

As at 31 December 2022, 2023 and 2024, the Target Company's bank borrowings amounted to RMB159.00 million, RMB415.42 million and RMB344.86 million, respectively. All of the bank borrowings were denominated in Renminbi, and were secured borrowings and credit borrowings. As of 31 December 2022, 2023 and 2024, short-term bank borrowings and bank borrowings due within one year amounted to RMB159.00 million, RMB340.62 million and RMB313.86 million, respectively, all of which were bore fixed interest rate. The bank borrowings of the Target Company were mainly used for the purpose of replenishment of working capital.

Fixed Assets

As at 31 December 2022, 2023 and 2024, the carrying value of the Target Company's fixed assets amounted to RMB210.30 million, RMB298.58 million and RMB603.39 million, respectively. The carrying value of the fixed assets as at 31 December 2024 increased by 102.1%, or RMB304.82 million, compared to that as at 31 December 2023, mainly due to (i) ongoing capital expenditure in new plants and production equipment driven by business expansion; and (ii) the effects of the business combination of Bonaire on the Target Company's consolidated balance sheets. The carrying value of the fixed assets as at 31 December 2023 increased by 42.0%, or RMB88.28 million, compared to that as at 31 December 2022, mainly due to the ongoing construction of new plants and production equipment.

Gearing Ratio

As at 31 December 2022, 2023 and 2024, the gearing ratio (calculated as total liabilities divided by total assets) of the Target Company was 18.8%, 27.4% and 41.6%, respectively. The gearing ratio increased from 27.4% as at 31 December 2023 to 41.6% as at 31 December 2024, mainly due to the acquisition of Bonaire. The gearing ratio of the Target Company increased from 18.8% as at 31 December 2022 to 27.4% as at 31 December 2023, mainly due to the increase in bank borrowings. The Target Company's overall gearing ratio level is relatively low, reflecting its healthy asset structure, strong risk resistance and prudent financial management.

Current Ratio

As at 31 December 2022, 2023 and 2024, the current ratio of the Target Company (calculated as current assets divided by current liabilities) was 510.0%, 324.4% and 195.4%, respectively. The current ratio decreased from 324.4% as at 31 December 2023 to 195.4% as at 31 December 2024, mainly due to the relatively lower inventory balance of Bonaire, a manufacturer of automotive parts with real-time responsive manufacturing mode. The current ratio of the Target Company decreased from 510.0% as at 31 December 2022 to 324.4% as at 31 December 2023, mainly due to the increase of bank borrowings for the purpose of replenishment of working capital by the Target Company.

Revenue

For the years ended 31 December 2022, 2023 and 2024, the revenue of the Target Company amounted to RMB961.32 million, RMB1,121.47 million and RMB1,669.57 million, respectively. The following table sets forth a breakdown of the Target Group's revenue for the periods indicated:

	For the year end 31 December		
	2022	2023	2024
	(Audited)	*(Audited)*	*(Audited)*
	RMB'000	*RMB'000*	*RMB'000*
Automotive fuel system accessories	454,797.27	493,938.66	523,066.33
Automotive thermal management system components	–	–	372,731.16
Automotive sensors and accessories	232,487.14	255,761.35	298,153.75
New energy components	84,647.15	125,018.52	253,589.61
Automotive interior parts	131,529.73	182,369.12	130,257.14
Vehicle networking products	2,125.48	2,637.35	79.05
Others	55,729.46	61,742.41	91,689.34
Total	961,316.22	1,121,467.41	1,669,566.37

The revenue of the Target Company reached RMB1,669.57 million for the year ended 31 December 2024, representing an increase of 48.9%, or RMB548.10 million as compared to RMB1,121.47 million for the year ended 31 December 2023, mainly due to (i) the consolidation of Bonaire's financial results since the fourth quarter of 2024; and (ii) the sustained growth of the business of the Target Company. The revenue of the Target Company for the year ended 31 December 2023 was RMB1,121.47 million, representing an increase of 16.7%, or RMB160.15 million as compared to RMB961.32 million for the year ended 31 December 2022, mainly driven by the increased demands for passenger vehicles and new energy vehicles.

Operating Costs

For the years ended 31 December 2022, 2023 and 2024, the operating costs of the Target Company amounted to RMB732.26 million, RMB854.38 million and RMB1,314.01 million, respectively. The operating costs of the Target Company were RMB1,314.01 million for the year ended 31 December 2024, representing an increase of 53.8%, or RMB459.63 million as compared to RMB854.38 million for the year ended 31 December 2023, mainly due to (i) the consolidation of Bonaire's financial results since the fourth quarter of 2024; and (ii) the revenue growth of the Target Company. Operating costs were RMB854.38 million for the year ended 31 December 2023, representing an increase of 16.7%, or RMB122.12 million as compared to RMB732.26 million for the year ended 31 December 2022, which was in line with its revenue growth.

Operating expenses

For the years ended 31 December 2022, 2023 and 2024, the operating expenses of the Target Company, comprising selling expenses, administrative expenses and research and development expenses, amounted to RMB109.59 million, RMB138.82 million and RMB183.79 million, respectively. The operating expenses of the Target Company in 2024 increased by 32.4%, or RMB44.97 million as compared to that in 2023, primarily due to the consolidation of Bonaire since the fourth quarter of 2024. The operating expenses of the Target Company in 2023 increased by 26.7 %, or RMB29.23 million as compared to that in 2022, mainly due to (i) the impacts of the Resolution Regarding Adjustment to the Grant Price Under the 2022 Restricted Share Incentive Scheme, which was approved in November 2023 by the board of directors. The grant price under the 2022 restricted share incentive scheme was adjusted to RMB3.01 per share, incurring share-based compensation expenses of RMB23.04 million; and (ii) more stringent expenses savings control in 2023 offsetting the impact of revenue growth.

In terms of remuneration and performance management, the Target Company has implemented a market-oriented and differentiated remuneration strategy to attract and retain excellent talents in key positions. The Target Company will continue to optimize its organizational and individual performance appraisal systems, strengthen the strategy decomposition and support, and ensure that performance management effectively serves as a key management tool. By enhancing the incentive mechanism and integrating rewards and discipline measures, the Target Company aims to improve the effectiveness of incentives, further stimulating organization vitality.

Net Profit

For the years ended 31 December 2022, 2023 and 2024, the profit before tax of the Target Company amounted to RMB366.63 million, RMB181.20 million and MB202.55 million, respectively. The profit before tax in 2024 increased by 11.8%, or RMB21.35 million, as compared to that in 2023, mainly due to the consolidation of Bonaire's financial results since the fourth quarter of 2024. The profit before tax in 2023 decreased by 50.6%, or RMB185.43 million, as compared to that in 2022, mainly due to (i) the disposal of 51.0903% equity interest in Changzhou Huaxuan Sensing Technology Co., Ltd. *(常州華旋傳感技術有限公司), a subsidiary, which resulted in investment income being included in the non-recurring profit and loss for 2022; and (ii) share-based compensation expenses incurred due to the adjustment in restricted share incentive scheme.

For the years ended 31 December 2022, 2023 and 2024, the net profit of the Target Company amounted to RMB308.98 million, RMB164.44 million and RMB183.83 million, respectively. The fluctuation in net profit and its reason were aligned with those of profit before tax.

For the years ended 31 December 2022, 2023 and 2024, the gross profit margin of the Target Company was 23.8%, 23.8% and 21.3%, respectively. The gross profit margin of the Target Company decreased by 2.5% in 2024, primarily due to the operating conditions of Bonaire, a subsidiary incorporated into the consolidated statements in the fourth quarter of 2024. Specifically, in line with the accounting principle of prudence, provisions were made for post-sales quality claims and other contingencies, partly attributable to financial difficulties faced by certain customers. Additionally, due to the nature of Bonaire's products, its overall gross margin was lower than that of the parent company's core products.

In future, the Target Company will strengthen the integration and management of its subsidiary Bonaire, enhance its ability of synergistic development of products and customers, optimize its customer structure and credit policies, and strictly control the collection and payment of funds when cooperating with high-risk customers, so as to reduce the risk of bad debts. At the same time, the Target Company will enhance the production and operational efficiency of Bonaire, optimize the supply chain costs and boost its cost control and technology upgrading, so as to improve its gross profit margin. In addition, the Target Company will further improve the product quality management system and reinforce the after-sale service ability in order to reduce risks of quality claims, and enhance the overall profitability of Bonaire through resources collaboration to ensure the steady growth of future performance.

Employment and Remuneration Policy

The Target Company had 690, 698 and 1,135 employees, respectively as at 31 December 2022, 2023 and 2024. the Target Company launched the remuneration incentive mechanism of "high goal, high incentive and high return" to motivate professional and technical talents. In order to encourage professional and technical personnel to grow better and faster, the Target Company established a dual development channel for management and professional development, which promotes the improvement of capabilities of professional and technical personnel and the improvement of their technological competitiveness. For the purpose of incentivizing professional and technical personnel to complete various R&D tasks with high efficiency while ensuring high quality, the Target Company actively explored and set up diversified performance appraisal system and remuneration incentive mechanism by organizing and implementing quarterly PBC appraisal, and formulating, releasing and implementing the Management System for Technical Personnel Project Bonus (《技術人員項目獎金管理制度》). The Target Company will continue to refine its remuneration and welfare system based on its development, and assume the corresponding responsibilities and obligations in accordance with the requirements of laws and regulations.

Foreign Exchange Risk

The primary operations of the Target Company are located in the PRC, with its major businesses settled in Renminbi. Nevertheless, foreign currency assets and liabilities recognized by the Target Company and future foreign currency transactions, which are denominated primarily in U.S. dollars and Euro are exposed to exchange rate risk. The finance department is responsible for monitoring the size of foreign currency transactions as well as foreign currency assets and liabilities to minimize the exposure to exchange rate risk. To this end, the Target Company may enter into forward exchange contracts or currency swap contracts for the purpose of hedging against exchange rate risk.

Acquisition and Disposal

In February 2023, the Target Company acquired 37.5% of equity interest in Bonaire with the consideration of RMB161.25 million. In September 2024, the Target Company further acquired 24% of equity interest in Bonaire with the consideration of RMB111.85 million. Through the acquisition of Bonaire, the Target Company has further extended its automotive parts industry chain and improved its industrial layout.

Charges on Assets

As at 31 December 2022, 2023 and 2024, the carrying amount of the monetary funds with restricted ownership or right of use was RMB3.80 million, RMB1.41 million and RMB63.70 million, respectively. Save as disclosed above, the Target Company had no assets pledged as security for bank and other borrowings.

Contingent Liabilities

The Target Company had no material contingent liabilities incurred as at 31 December 2022, 2023 and 2024.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group (the "**Statement**") has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the consolidated statement of assets and liabilities of the Enlarged Group as if the Acquisition and the Subscription had been completed on 31 December 2024.

The Statement has been prepared based on (i) the use of accounting policies of the Enlarged Group consistent with that of the Group, as set out in the published 2024 annual report of the Company; (ii) the consolidated statement of financial position of the Company as at 31 December 2024, as set out in its published 2024 annual report of the Company; (iii) the consolidated statement of financial position of the Target Company as at 31 December 2024 as set out in pages 449 to 452 of this circular; and (iv) the pro forma adjustments prepared to reflect the effects of the Acquisition and the Subscription as explained in the notes set out below that are directly attributable to the Acquisition and the Subscription and not relating to future events or decisions and are factually supportable.

The Statement is prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Statement may not give a true picture of the financial position of the Enlarged Group had the Acquisition and the Subscription been completed as at 31 December 2024 or at any future date.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of the circular, the financial information of the Target Company asset as set out in Appendix II of the circular and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group	The Target Group	Pro forma adjustments		Adjusted balance of the Enlarged Group after the Acquisition Completion	Pro forma adjustments		Adjusted balance of the Enlarged Group after the Subscription
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*		*Note 5*	*Note 6*	
Non-current assets								
Property, plant and equipment	81,005,464	667,291	159,071	–	81,831,826	–	–	81,831,826
Right-of-use assets	1,749,505	74,829	25,952	–	1,850,286	–	–	1,850,286
Intangible assets	1,480,521	45,161	384,783	–	1,910,465	–	–	1,910,465
Goodwill								
The Target Group's goodwill	–	27,256	(27,256)	–	–	–	–	–
The Group's goodwill	–	–	194,912	–	194,912	–	–	194,912
Investments in associates	16,109	73,261	28,498	–	117,868	–	–	117,868
Other financial assets	829,152	118,396	(14,550)	–	932,998	–	–	932,998
Deposits paid for acquisition of property, plant and equipment	993,795	24,687	–	–	1,018,482	–	–	1,018,482
Deferred tax assets	793,450	42,244	–	–	835,694	–	–	835,694
	86,867,996	1,073,125	751,410	–	88,692,531	–	–	88,692,531

	The Group	The Target Group	Pro forma adjustments		Adjusted balance of the Enlarged Group after the Acquisition Completion	Pro forma adjustments		Adjusted balance of the Enlarged Group after the Subscription
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*		*Note 5*	*Note 6*	
Current assets								
Inventories	5,263,435	265,725	4,989	–	5,534,149	–	–	5,534,149
Trade and bills receivables	8,414,300	1,542,362	–	–	9,956,662	–	–	9,956,662
Contract assets	–	718	–	–	718	–	–	718
Prepayments, deposits and other receivables	7,455,596	52,800	–	–	7,508,396	–	–	7,508,396
Amounts due from related parties	201,399	10,210	–	–	211,609	–	–	211,609
Other financial assets	1,834,516	884,145	–	–	2,718,661	–	–	2,718,661
Current tax assets	185	22	–	–	207	–	–	207
Pledged bank deposits	3,377,123	63,703	–	–	3,440,826	–	–	3,440,826
Restricted bank balances	280	–	–	–	280	–	–	280
Bank and cash balances	9,058,553	210,715	(510,827)	(15,000)	8,743,441	–	(20,000)	8,723,441
	35,605,387	3,030,400	(505,838)	(15,000)	38,114,949	–	(20,000)	38,094,949

	The Group	The Target Group	Pro forma adjustments		Adjusted balance of the Enlarged Group after the Acquisition Completion	Pro forma adjustments		Adjusted balance of the Enlarged Group after the Subscription
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*		*Note 5*	*Note 6*	
Current liabilities								
Trade and bills payables	19,486,536	1,173,429	–	–	20,659,965	–	–	20,659,965
Accruals and other payables	6,779,961	36,594	–	–	6,816,555	–	–	6,816,555
Contract liabilities	141,294	4,132	–	–	145,426	–	–	145,426
Amounts due to related parties	27,250	–	–	–	27,250	–	–	27,250
Lease liabilities	31,463	8,612	–	–	40,075	–	–	40,075
Bank borrowings	18,960,089	313,860	–	–	19,273,949	–	–	19,273,949
Provisions	122,660	–	–	–	122,660	–	–	122,660
Financial guarantee	34,563	–	–	–	34,563	–	–	34,563
Current tax liabilities	485	14,344	–	–	14,829	–	–	14,829
	45,584,301	1,550,971	–	–	47,135,272	–	–	47,135,272
Net current assets/(liabilities)	(9,978,914)	1,479,429	(505,838)	(15,000)	(9,020,323)	–	(20,000)	(9,040,323)
Total assets less current assets/(liabilities)	76,889,082	2,552,554	245,572	(15,000)	79,672,208	–	(20,000)	79,652,208

	The Group	The Target Group	Pro forma adjustments		Adjusted balance of the Enlarged Group after the Acquisition Completion	Pro forma adjustments		Adjusted balance of the Enlarged Group after the Subscription
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*		*Note 5*	*Note 6*	
Non-current liabilities								
Deferred income	297,907	62,641	–	–	360,548	–	–	360,548
Lease liabilities	69,137	15,723	–	–	84,860	–	–	84,860
Bank borrowings	27,156,291	31,000	–	–	27,187,291	–	–	27,187,291
Provisions	1,303,117	10,304	–	–	1,313,421	–	–	1,313,421
Deferred tax liabilities	8,705	38,191	84,223	–	131,119	–	–	131,119
	28,835,157	157,859	84,223	–	29,077,239	–	–	29,077,239
NET ASSETS	48,053,925	2,394,695	161,349	(15,000)	50,594,969	–	(20,000)	50,574,969

Notes:

1. The balances are extracted from the consolidated statement of financial position of the Company as at 31 December 2024 as set out in the Company's published annual report for the year ended 31 December 2024.

2. The balances are extracted from the unaudited consolidated balance sheet of the Target Company as at 31 December 2024, which is prepared by the Company in accordance with the Group's accounting policies under International Financial Reporting Standards ("**IFRS**"). Set out in Appendix II to this circular is a reconciliation between the Target Company's financial information for each of the years ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025 (the "**Reporting Periods**") as extracted from the Target Company's consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises ("**CASBE**") for the Reporting Periods, and the adjusted financial information for the Reporting Periods had it been prepared in accordance with the accounting policies under IFRS adopted by the Company.

3. Pursuant to the Share Transfer Agreement and the Voting Rights Waiver Agreement with the Vendor, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell 87,620,380 A shares of the Target Company, representing 11.00% of the total issued share capital of the Target Company and at RMB5.83 per Target Share. The aggregate consideration for the Acquisition is RMB510,826,815.40 ("**Acquisition Consideration**"). Concurrently, the Vendor has agreed to give up its voting rights attached to a portion of shares held by him in the Target Company, totaling 155,725,311 A shares, during the Waiver Period, representing 19.55% of the total issued share capital of the Target Company. Upon the completion of the Acquisition and the voting rights waiver, and the adjustment to the composition of the board of directors of the Target Company as stipulated in the Share Transfer Agreement (collectively, the "**Acquisition Completion**"), the Target Company will become a subsidiary of the Company.

   After the adjustment to the composition of the board of directors of the Target Company, the re-elected board of directors of the Target Company will consist of five directors (including three non-independent directors and two independent directors), all of whom shall be nominated by the Company. The Company will have full control of the board of directors of the Target Company and have the rights that give the Company the ability to direct the relevant activities of the Target Company. Considering the above, the directors of the Company are of the view that the Company will have control over the Target Company upon the Acquisition Completion, and the Target Company will become a subsidiary of the Group and be consolidated into the Company's consolidated financial statements.

   Upon Acquisition Completion, the identifiable assets acquired and liabilities assumed of the Target Group will be accounted for at their fair value under the acquisition method of accounting in accordance with IFRS 3 (revised) *Business Combinations*.

   For the purpose of preparing the Statement, the pro forma adjustment includes unaudited pro forma fair value adjustments resulting from the allocation of the Acquisition Consideration to the Target Group's identifiable assets acquired and liabilities assumed, as if the Acquisition Completion had taken place on 31 December 2024. This allocation has been determined based on a valuation carried out by the directors of the Company, with assistance from an independent firm of professional valuers not connected with the Group or the Target Company. In accordance with the Company's accounting policy, the excess of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill.

	RMB'000
Acquisition Consideration	510,827
Carrying amount of net assets acquired before fair value adjustments	(2,394,695)
Unaudited pro forma fair value adjustments	(561,487)
Deferred tax liabilities arising from unaudited pro forma fair value adjustment	84,223
Non-controlling interests	2,556,044
Goodwill arising from the Acquisition Completion	194,912

The Vendor undertakes that if the Target Company's consolidated net profits attributable to the owners of the Target Company (as recorded in the annual audit report) fall below RMB178 million for 2025 and RMB195 million for 2026, respectively, the Vendor shall compensate the Purchaser. No contingent consideration receivable is estimated and recognised in the pro forma adjustment as the directors of the Company are of the view that the Target Company's consolidated net profits attributable to the owners of the Target Company for 2025 and 2026 will exceed the aforementioned amounts respectively.

4. The pro forma adjustment represents the estimated professional fees and other expenses to be incurred for the Acquisition of approximately RMB15,000,000.

5. Pursuant to the Placement Subscription Agreement, the Company has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue to the Company, up to 119,482,337 Placement A Shares at the subscription price of RMB672,685,557.31. The pro forma adjustment represents the maximum amount of the Subscription price pay by the Company to the Target Company, as if the Subscription had been completed on 31 December 2024, resulting in no change of the consolidated financial position of the Enlarged Group.

6. The pro forma adjustment represents the estimated professional fees and other expenses to be incurred for the Subscription of approximately RMB20,000,000.

7. Apart from the above, no adjustments have been made to reflect any trading results or other transactions (including but not limited to (i) the cash dividends of approximately RMB47,793,000 approved by the shareholders of the Target Company on 13 May 2025 and (ii) the Company's issuance of Green Technology Innovation Bond of RMB500 million in May 2025) of the Group and the Target Group entered into subsequent to 31 December 2024.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.

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The Board of Directors
CALB Group Co., Ltd.

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of CALB Group Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), and Jiangsu Olive Sensors High-tech Corporation Limited and its subsidiaries (the "**Target Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2024 and related notes (the "**Statement**") as set out on pages 480 to 486 of the investment circular issued by the Company, in connection with the proposed acquisition and proposed subscription of new shares of the Target Company (the "**Transactions**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Statement are described on pages 480 to 486.

The Statement has been compiled by the Directors to illustrate the impact of the Transaction of the Target Group on the Group's financial position as at 31 December 2024 as if the Transaction had been taken place at 31 December 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2024, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2024 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong
17 June 2025

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors, Supervisors, and the Chief Executives of the Company

As at the Latest Practicable Date, the long positions and short positions in our Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) our Directors, Supervisors and chief executive of our Company have or are taken or deemed to have (a) which shall be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which will be required pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) are as follows:

Name of Directors, Supervisors or chief executive	Position	Nature of interests	Class of shares	Number of shares held(1)	Percentage of shareholdings in respective class of share capital(2)	Percentage of shareholdings in the total share capital(3)
Liu Jingyu	Executive director	Beneficial owner	Domestic Shares	2,002,265	0.17%	0.11%
Dai Ying	Executive director	Beneficial owner	Domestic Shares	1,196,820	0.10%	0.07%

Notes:

(1) All interests above represent long positions.

(2) The percentages are calculated based on the Company's total number in the respective class of shares as at the Latest Practicable Date (i.e. 1,160,633,753 Domestic Shares and 611,668,105 H Shares).

(3) The percentages are calculated based on the Company's total number of the issued shares of the Company, being 1,772,301,858 shares, as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of our Directors, Supervisors and chief executive of our Company had or was taken or deemed to have the long positions and short positions in our Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) (a) which shall be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which will be required pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

(ii) Substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than Directors, Supervisors or the chief executive of the Company) had the interests or short positions in the Shares or underlying Shares which shall be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which will be required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Nature of Interests	Class of shares	Number of shares held(1)	Percentage of shareholdings in respective class of share capital(2)	Percentage of shareholdings in the total share capital(3)
Changzhou Jinsha Technology Investment Co., Ltd.* ("Jinsha Investment")(7)	Beneficial owner	Domestic Shares	172,255,431(L)	14.84%(L)	9.72%(L)
	Interest in controlled corporation	Domestic Shares	8,642,400(L)	0.74%(L)	0.49%(L)
	Beneficial owner	H Shares	79,874,850(L)	13.06%(L)	4.51%(L)
Changzhou Huake Engineering Construction Co., Ltd.* ("Huake Engineering")(7)	Beneficial owner	H Shares	55,897,277(L)	9.14%(L)	3.15%(L)
Changzhou Huake Technology Investment Co., Ltd.* ("Huake Investment")(7)	Beneficial owner	Domestic Shares	77,785,163(L)	6.70%(L)	4.39%(L)

Name of Shareholders	Nature of Interests	Class of shares	Number of shares held[1]	Percentage of shareholdings in respective class of share capital[2]	Percentage of shareholdings in the total share capital[3]
Jiangsu Jintan Hualuogeng Technology Industry Development Co., Ltd.* ("Jintan Hualuogeng")[(4)&(7)]	Interest in controlled corporation	Domestic Shares	120,546,199(L)	10.39%(L)	6.80%(L)
	Interest in controlled corporation	H Shares	55,897,277(L)	9.14%(L)	3.15%(L)
Jiangsu Jintan Investment Holding Co., Ltd.* ("Jintan Holding")[(5)&(6)&(7)]	Interest in controlled corporation	Domestic Shares	301,444,030(L)	25.97%(L)	17.01%(L)
	Others	Domestic Shares	24,000,000(L)	2.07%(L)	1.35%(L)
	Interest in controlled corporation	H Shares	135,772,127(L)	22.20%(L)	7.66%(L)
Xiamen Lihang Equity Investment Management Co., Ltd.[(8)]	Interest in controlled corporation	Domestic Shares	99,306,299(L)	8.56%(L)	5.60%(L)
	Interest in controlled corporation	H Shares	42,559,842(L)	6.96%(L)	2.40%(L)
Xiamen Lihang Jinzhi Equity Investment Partnership (Limited Partnership)* ("Lihang Jinzhi")[(8)]	Beneficial owner	Domestic Shares	99,306,299(L)	8.56%(L)	5.60%(L)
	Beneficial owner	H Shares	42,559,842(L)	6.96%(L)	2.40%(L)
Xiamen Industrial Investment Co., Ltd. ("Xiamen Industrial Investment")[(9)]	Beneficial owner	Domestic Shares	26,306,305(L)	2.27%(L)	1.48%(L)
	Interest in controlled corporation	Domestic Shares	99,306,299(L)	8.56%(L)	5.60%(L)
	Interest in controlled corporation	H Shares	42,559,842(L)	6.96%(L)	2.40%(L)
	Beneficial owner	H Shares	11,274,130(L)	1.84%(L)	0.64%(L)

Name of Shareholders	Nature of Interests	Class of shares	Number of shares held[1]	Percentage of shareholdings in respective class of share capital[2]	Percentage of shareholdings in the total share capital[3]
Xiamen Jinyuan Industry Investment Group Company Limited ("Jinyuan Investment")[9]	Beneficial owner	Domestic Shares	26,306,305(L)	2.27%(L)	1.48%(L)
	Interest in controlled corporation	Domestic Shares	149,612,604(L)	12.89%(L)	8.44%(L)
	Beneficial owner	H Shares	11,274,130(L)	1.84%(L)	0.64%(L)
	Interest in controlled corporation	H Shares	66,616,541(L)	10.89%(L)	3.76%(L)
Sichuan Chengfei Integration Technology Co., Ltd* ("Chengfei Integration")[10]	Beneficial owner	Domestic Shares	105,802,107(L)	9.12%(L)	5.97%(L)
	Beneficial owner	H Shares	45,343,760(L)	7.41%(L)	2.56%(L)
Aviation Industry Corporation of China, Ltd.* ("AVIC")[10]	Interest in controlled corporation	Domestic Shares	163,970,995(L)	14.13%(L)	9.25%(L)
	Interest in controlled corporation	H Shares	45,343,760(L)	7.41%(L)	2.56%(L)
Guangdong Guangqi Ruidian Equity Investment Partnership (Limited Partnership)*	Beneficial owner	Domestic Shares	63,912,844(L)	5.51%(L)	3.61%(L)
Guotai Junan Securities Co., Ltd.[11]	Interest in controlled corporation	H Shares	46,764,100(L)	7.65%(L)	2.64%(L)
Hua An Fund Management Co., Ltd., representing HUAAN-XJ8-QDII, HUAAN-XJ10-QDII and HUAAN- XJ12-QDII[11]	Others	H Shares	40,735,300(L)	6.66%(L)	2.30%(L)
Huatai Securities Co., Ltd[12]	Interest in controlled corporation	H Shares	31,931,800(L)	5.22%(L)	1.80%(L)
	Interest in controlled corporation	H Shares	5,486,200(S)	0.90%(S)	0.31%(S)

Notes:

(1) (L), (S) and (P) represent long position, short position and lending pool respectively.

(2) The percentages are calculated based on the Company's total number in the respective class of shares as at the Latest Practicable Date (i.e. 1,160,633,753 Domestic Shares and 611,668,105 H Shares).

(3) The percentages are calculated based on the Company's total number of the issued shares of the Company as at the Latest Practicable Date (i.e. 1,772,301,858 shares).

(4) Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng. Jintan Hualuogeng is deemed to be interested in the Shares held by each of Huake Engineering and Huake Investment under the SFO.

(5) Jinsha Investment is wholly owned by Jintan Holding. Jintan Hualuogeng is owned as to 90% by Jintan Holding. Jintan Holding is a state-owned enterprise and controlled by the Government of Jintan District. Jintan Holding is deemed to be interested in the Shares held by each of Jinsha Investment, Huake Engineering and Huake Investment under the SFO.

(6) The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.

(7) Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng, Changjin New Energy and Jintan Holding are a group of largest Shareholders and directly or indirectly control an aggregate of approximately 26.02% of our Company's voting rights.

(8) Lihang Jinzhi is a limited partnership established under the laws of the PRC with Xiamen Lihang Equity Investment Management Co., Ltd.* (廈門鋰航股權投資管理有限公司) being its general partner and Xiamen Industrial Investment being its limited partner. According to the partnership agreement of Lihang Jinzhi which provides, among other things, that the investment decision committee of Lihang Jinzhi shall comprise three members, of which Xiamen Industrial Investment shall be entitled to nominate two members, and Xiamen Industrial Investment exercises de facto control of Lihang Jinzhi. As such, Xiamen Industrial Investment is deemed to be interested in the Shares held by Lihang Jinzhi under the SFO. Xiamen Industrial Investment directly owns approximately 2.12% interests in our Company and therefore Xiamen Industrial Investment directly and indirectly controls an aggregate of approximately 10.13% of our Company's voting rights.

(9) Xiamen Industrial Investment is a wholly owned subsidiary of Jinyuan Investment and as such Jinyuan Investment is deemed to be interested in all the Shares held by Lihang Jinzhi and Xiamen Industrial Investment under the SFO. Moreover, each of Xiamen Jinli No. 2 and Jinli Investment owns approximately 1.35% and 0.72% interests in our Company respectively. Xiamen Jinli No. 2 is a limited partnership with Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) being its general partner. Xiamen City Jinyuan Equity Investment Co., Ltd* is ultimately controlled by Jinyuan Investment. Jinli Investment is a limited partnership with Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) being its general partner. Jinyuan Capital Management (Xiamen) Co., Ltd* is ultimately controlled by Jinyuan Investment. As such, Jinyuan Investment is also deemed to be interested in the Shares held by each of Xiamen Jinli No. 2 and Jinli Investment under the SFO. Jinyuan Investment directly owns approximately 2.12% interests in our Company and therefore Jinyuan Investment directly and indirectly controls an aggregate of approximately 14.32% of our Company's voting rights.

(10) Chengfei Integration is a joint stock limited company whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002190) and ultimately controlled by AVIC. As such, AVIC is deemed to be interested in the Shares held by Chengfei Integration under the SFO. Moreover, each of Aviation Industry Integration Fund, Missile Academy, Aviation Investment and Hongdu Airline owns approximately 0.68%, 0.55%, 0.09% and 0.08% interests in our Company respectively, and each of the above companies and partnerships is ultimately controlled by AVIC, which is also deemed to be interested in the Shares held by such companies and partnerships under the SFO. Therefore, AVIC indirectly controls an aggregate of approximately 9.93% of our Company's voting rights.

(11) HuaAn Fund Management Co., Ltd is the asset manager of (1) HUAAN-XJ8-QDII – SINGLE ASSET MANAGEMENT PLAN, (2) HUAAN-XJ10-QDII – SINGLE ASSET MANAGEMENT PLAN and (3) HUAAN-XJ12-QDII – SINGLE ASSET MANAGEMENT PLAN and is deemed to be interested in the Shares held by abovementioned three assets management plans under the SFO. Guotai Junan Securities Co., Ltd. held 51% of the equity interest in HuaAn Fund Management Co., Ltd and is deemed to be interested in the Shares held by HuaAn Fund Management Co., Ltd under the SFO.

(12) Huatai Securities Co., Ltd. held 100% interests in Huatai International Financial Holdings Company Limited. Huatai International Financial Holdings Company Limited held 100% interests in Huatai Financial Holdings (Hong Kong) Limited and Huatai Capital Investment Limited. Huatai Financial Holdings (Hong Kong) Limited held 7,043,100 H Shares in long position. Huatai Capital Investment Limited held 24,888,700 H Shares in long position and 5,486,200 H Shares in short position. Therefore, Huatai International Financial Holdings Company Limited is deemed to be interested in 31,931,800 H Shares in long position and 5,486,200 H Shares in short position and Huatai Securities Co., Ltd. is deemed to be interested in 31,931,800 H Shares in long position and 5,486,200 H Shares in short position under the SFO.

Pursuant to Section 336 of the SFO, the Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. When a Shareholder's shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Stock Exchange unless certain criteria are fulfilled, therefore the Shareholder's latest shareholding in the Company may be different to the shareholding filed with the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, the Directors, Supervisors or chief executives of the Company were not aware of any persons (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Director, Supervisor or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the date of this circular and up to and including the Latest Practicable Date, which are or may be material:

i. Share Transfer Agreement;

ii. Placement Subscription Agreement; and

iii. Voting Rights Waiver Agreement.

5. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and Supervisors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and Supervisors had any direct or indirect interest in any assets which had been acquired by or disposed of or leased to any member of the Group since December 31, 2024 (being the date to which the latest published audited financial statements of the Group were made up) or were proposed to be acquired by or disposed of or leased to any member of the Group; and none of the Directors and Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of the Directors and Supervisors has entered into a contract with the Company on December 31, 2024 in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have any service contracts with the Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions and advice which are contained in this circular:

Name	Qualification
RSM Hong Kong	Certified public accountants

As at the Latest Practicable Date, RSM Hong Kong has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, RSM Hong Kong:

i. did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; or

ii. did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e., December 31, 2024), acquired by or disposed of or leased to or are proposed to be acquired by or disposed of or leased to any member of the Group.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (www.calb-tech.com) for a period of 14 days from the date of this circular:

i. Share Transfer Agreement;

ii. Placement Subscription Agreement;

iii. Voting Rights Waiver Agreement;

iv. the report from RSM Hong Kong in respect of the Reconciliation;

v. the report from RSM Hong Kong in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV; and

vi. the written consent of the Auditor referred to in the paragraph headed "Expert and Consent" in this Appendix.

10. MISCELLANEOUS

i. The registered office of the Company is located at No. 1, Jiangdong Avenue, Jintan District, Changzhou City, Jiangsu Province, PRC.

ii. The H Share registrar of the Company is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

iii. The joint company secretaries of the Company are Mr. Dai Ying and Mr. Cheung Kai Cheong Willie (張啟昌先生)("Mr. Cheung"). Mr. Cheung, a member of The Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, who fully meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, to act as the joint company secretary of the Company.

CALB Group Co., Ltd.
中創新航科技集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3931)

NOTICE OF 2025 FIRST EXTRAORDINARY GENERAL MEETING

A NOTICE IS HEREBY GIVEN THAT the 2025 first extraordinary general meeting (the "**EGM**") of CALB Group Co., Ltd. (the "**Company**") will be held on Wednesday, 9 July 2025, at 2:00 p.m., at Conference Room VIP1, CALB Group Co., Ltd., No. 1, Jiangdong Avenue, Jintan District, Changzhou, People's Republic of China, at which, the following ordinary resolutions will be considered and approved.

ORDINARY RESOLUTIONS

1. To consider and approve the resolution regarding the Acquisition of Jiangsu Olive Sensors High-tech Corporation Limited* (江蘇奧力威傳感高科股份有限公司)

2. To consider and approve the resolution regarding the Subscription for Newly Issued Shares of Jiangsu Olive Sensors High-tech Corporation Limited

By order of the Board
CALB Group Co., Ltd.
Liu Jingyu
Chairwoman of the Board, executive Director
and General Manager

Changzhou, PRC
18 June 2025

Notes:

1. For the purpose of determining the entitlement of the H Share shareholders to attend and vote at the EGM, the H Share register of members of the Company will be closed from Friday, 4 July 2025 to Wednesday, 9 July 2025 (both days inclusive), during which period no transfer of H shares will be registered. To be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 3 July 2025.

2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is appointed.

3. Form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Tuesday, 8 July 2025) or any adjournment thereof. Completion and return of the proxy form will not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be), should he/she so wishes and in such event, the form of proxy shall be deemed to be revoked.

4. Pursuant to Rule 13.39(4) of the Listing Rules, the ordinary resolutions set out above will be voted by poll. Where the chairperson of the Company in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.

5. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding of such share.

6. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.

7. Unless otherwise specified, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 18 June 2025.