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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in UBTECH ROBOTICS CORP LTD, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

UBTECH ROBOTICS CORP LTD

深圳市優必選科技股份有限公司

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

(Stock Code: 9880)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 29.99% EQUITY INTEREST IN THE TARGET COMPANY LISTED ON THE SHENZHEN STOCK EXCHANGE AND PARTIAL OFFER TO ACQUIRE 13.02% EQUITY INTEREST IN THE TARGET COMPANY; AND (2) NOTICE OF THE 2026 FIRST EXTRAORDINARY GENERAL MEETING

Capitalised terms used on this cover page shall have the same meaning as those defined in this circular unless otherwise stated.

The Company will convene and hold the EGM at 4:00 p.m. on Tuesday, March 10, 2026 at JIMU Conference Room, 25/F, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Nanshan District, Shenzhen, PRC. A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use in the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ubtrobot.com).

Shareholders who intend to appoint a proxy to attend the EGM are required to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same not later than 24 hours before the time designated for the EGM (i.e. not later than 4:00 p.m. on Monday, March 9, 2026) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned or postponed meeting(s) if you so wish.

Reference to the time and dates in this circular are to Hong Kong time and dates.

February 16, 2026

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

"A Share(s)"	ordinary share(s) of the Target Company which are listed on the SZSE and traded in Renminbi
"Acquisition"	the acquisition by the Company of the Sale Shares and the Partial Offer Shares
"Announcement"	the announcement of the Company dated December 24, 2025
"Board"	the board of Directors
"Business Day(s)"	any day excluding Saturdays, Sundays and public holidays in the PRC
"Chengfeng Investment"	Zhejiang Chengfeng Investment Co., Ltd.* (浙江誠鋒投資有限公司), a company incorporated in the PRC with limited liability
"China Securities Depository"	China Securities Depository and Clearing Corporation Limited, a company established in the PRC that undertakes all the securities registration, clearing and settlement business that used to be handled by Shanghai and Shenzhen Stock Exchanges
"Company"	UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司) (formerly known as Shenzhen UBTECH Technology Co., Ltd.* (深圳市優必選科技有限公司)), a limited liability company established under the laws of the PRC on March 31, 2012 and converted into a joint stock company with limited liability on March 29, 2019, the H Shares of which are listed on the Stock Exchange (stock code: 9880)
"Conditions Precedent"	conditions precedent to the completion of the transfer of the Sale Shares as set out under the paragraph headed "Conditions Precedent"
"Consideration for the Sale Shares"	RMB1,161,189,934.32, being the consideration for the Sale Shares
"Consideration for the Partial Offer Shares"	RMB504,134,000.00, being the consideration for the Partial Offer Shares
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company

"Domestic Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"Domestic Shareholder(s)"	holder(s) of Domestic Share(s)
"EGM"	the 2026 first extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held at JIMU Conference Room, 25/F, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Nanshan District, Shenzhen, PRC at 4:00 p.m. on Tuesday, March 10, 2026 for the purpose of considering, and if thought fit, approving, among other things, the resolution set out in the Notice of the 2026 First Extraordinary General Meeting on pages EGM-1 to EGM-2 of this circular
"Enlarged Group"	the Group as enlarged by the Target Group upon completion of the Acquisition
"Escrow Account"	the designated bank account jointly managed by the Company and the Vendors for the escrow of the earnest money
"Fengchi Investment"	Ningbo Fengchi Investment Co., Ltd.* (寧波鋒馳投資有限公司), a company incorporated in the PRC with limited liability
"General Mandate Placing"	the placing of H Shares under general mandate which was completed on December 2, 2025, the details of which is set out in the announcement of the Company dated December 2, 2025
"Group", "our Group", "the Group", "we", "us", or "our"	the Company together with its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Main Board of the Stock Exchange and subscribed for and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Share(s)
"Independent Third Party(ies)"	third parties independent of the Company and its connected persons as defined under Chapter 14A of the Listing Rules

"Latest Practicable Date"	February 9, 2026, being the latest practicable date for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Ministry of Finance"	the Ministry of Finance of the People's Republic of China
"Mr. Dong"	Mr. Dong Jiangang (董劍剛), a PRC resident
"Ms. Li"	Ms. Li Caixia (厲彩霞), a PRC resident
"Partial Offer"	the possible partial offer by the Company to the Proposed Offerees to acquire the Partial Offer Shares
"Partial Offer Shares"	28,450,000 A Shares (representing approximately 13.02% of the entire issued share capital of the Target Company)
"PRC"	the People's Republic of China, excluding, for the purposes of this circular only, Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Pre-acceptance Shares"	28,427,612 A Shares (representing approximately 13.01% of the entire issued share capital of the Target Company), being the A Shares for which the Vendors have irrevocably undertaken to apply for pre-acceptance of the Partial Offer
"Proposed Offerees"	all the shareholders of the Target Company other than the Company as at the date of making the Partial Offer by the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	a total of 65,529,906 A Shares (representing approximately 29.99% of the entire issued share capital of the Target Company) to be transferred by Zhejiang Chengfeng to the Company pursuant to the Share Transfer Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	Domestic Share(s) and/or H Share(s)

"Shareholder(s)"	holder(s) of the Share(s)
"Share Transfer Agreement"	the share transfer agreement dated December 24, 2025 entered into by the Company and the Vendors in relation to the Acquisition
"SZSE"	the Shenzhen Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Zhejiang Fenglong Electric Co., Ltd. (浙江鋒龍電氣股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002931.SZ)
"Target Group"	the Target Company and its subsidiaries
"Total Consideration"	RMB1,665,323,934.32, being the aggregate amount of the Consideration for the Sales Shares and the Consideration for the Partial Offer Shares
"Vendors"	Chengfeng Investment, Mr. Dong, Ms. Li and Fengchi Investment
"%"	per cent

For the purpose of this circular, the exchange rate of HK$1.0 = RMB0.9 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

UBTECH ROBOTICS CORP LTD
深圳市優必選科技股份有限公司

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

(Stock Code: 9880)

Executive Directors:
Zhou Jian *(Chairman)*
Liu Ming *(employee representative Director)*
Deng Feng
Xiong Youjun

Non-executive Directors:
Xia Zuoquan
Zhou Zhifeng
Lu Kuan

Independent Non-executive Directors:
He Jia
Yao Xin
Dong Xiuqin
Xiong Hui

Registered office:
Room 2201, Building C1
Nanshan Smart Park
No. 1001 Xueyuan Avenue
Changyuan Community
Taoyuan Street
Nanshan District
Shenzhen, PRC

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

February 16, 2026

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 29.99% EQUITY INTEREST IN THE TARGET COMPANY LISTED ON THE SHENZHEN STOCK EXCHANGE AND PARTIAL OFFER TO ACQUIRE 13.02% EQUITY INTEREST IN THE TARGET COMPANY; AND (2) NOTICE OF THE 2026 FIRST EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Acquisition.

The purpose of this circular is to provide you the notice of EGM and the detailed information in relation to, among other things, the resolutions to be proposed at the EGM, to enable you to make an informed decision on whether to vote for or against the resolution.

THE ACQUISITION BY WAY OF SHARE TRANSFER AND PARTIAL OFFER

On December 24, 2025, the Company entered into the Share Transfer Agreement with the Vendors, pursuant to which the Company has conditionally agreed to acquire, and Chengfeng Investment has conditionally agreed to sell, a total of 65,529,906 A Shares (representing approximately 29.99% of the entire issued share capital of the Target Company) at the price of RMB17.72 per A Share.

Subject to the completion of the transfer of the Sale Shares, the Company shall make a Partial Offer to the Proposed Offerees to acquire 28,450,000 A Shares (representing approximately 13.02% of the issued share capital of the Target Company) at the Partial Offer Price of RMB17.72 per A Share.

The Vendors have agreed and irrevocably undertaken that they shall apply for the pre-acceptance of the Partial Offer with respect to 28,427,612 A Shares (representing approximately 13.01% of the issued share capital of the Target Company), and go through all the relevant procedures for the pre-acceptance. In addition, the Vendors have undertaken to voluntarily give up the exercise of their voting rights over the Pre-acceptance Shares for the period commencing from the completion of the transfer of the Sales Shares to the completion of the Partial Offer unless otherwise agreed to by the Company.

THE SHARE TRANSFER AGREEMENT

The principal terms of the Share Transfer Agreement are set out as follows:

Date

December 24, 2025

Parties

(a) the Company;
(b) Chengfeng Investment;
(c) Mr. Dong;
(d) Ms. Li; and
(e) Fengchi Investment.

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

Subject Matter

Pursuant to the Share Transfer Agreement, the Company has conditionally agreed to acquire, and Chengfeng Investment has conditionally agreed to sell a total of 65,529,906 A Shares (representing approximately 29.99% of the entire issued share capital of the Target Company) at the price of RMB17.72 per A Share.

During the period from the date of this Share Transfer Agreement to the date of the completion of the transfer of the Sale 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 Sale Shares to be transferred and the price of the Sale Shares will be adjusted in accordance with the applicable laws and regulations.

Consideration and Payment

The price of the Sale Shares is RMB17.72 per A Share and the Consideration for the Sale Shares is RMB1,161,189,934.32, which was determined after arm's length negotiations between the Company and Chengfeng Investment 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 SZSE; and (ii) the relevant PRC statutory requirements as set out in the Shenzhen Stock Exchange Trading Rules (2023 Revision) (《深圳證券交易所交易規則(2023年修訂)》) and the Guidelines for Handling Share Transfer Agreements of Listed Companies on the Shenzhen Stock Exchange (Revised in 2021) (《深圳證券交易所上市公司股份協議轉讓業務辦理指引(2021年修訂)》) in respect of the transfer price of the Sale Shares, i.e. the discount on the price of the Sale Shares shall not exceed 10% of the closing price of the A Shares on the last trading day preceding the date of the Share Transfer Agreement.

The price of the Sale Shares represents a discount of approximately 10.0% to the closing price of RMB19.68 per A Share as quoted on the SZSE on December 17, 2025, being the last trading day prior to the date of the Share Transfer Agreement.

The Company has transferred RMB30,000,000.00 to the Escrow Account as refundable earnest money subject to the completion of the transfer of the Sale Shares.

The Consideration for the Sale Shares shall be satisfied by cash. The Consideration for the Sale Shares will be settled by installments as follows:

(1) payment of the first installment: 50% of the Consideration for the Sale Shares, being RMB580,594,967.16, shall be paid by the Company to Chengfeng Investment within ten (10) Business Days from the date when the Conditions Precedent for the payment of the first installment as set out in the Share Transfer Agreement are satisfied; and

(2) payment of the second installment: 50% of the Consideration for the Sale Shares, being RMB580,594,967.16, shall be paid by the Company to Chengfeng Investment within five (5) Business Days from the date when the Conditions Precedent for the payment of the second installment as set out in the Share Transfer Agreement are satisfied.

The Consideration shall be satisfied through the Company's internal resources, solely from the net proceeds that were raised by the Company through the General Mandate Placing which was completed on December 2, 2025. The table below shows the breakdown and the expected timeline for the application of the remaining proceeds from the General Mandate Placing, upon full payment of the Consideration:

	Net proceeds to be applied	Percentage of net proceeds to be applied	Utilized net proceeds as of December 31, 2025 (unaudited)	Unutilized net proceeds as of December 31, 2025 (unaudited)	Expected timeline for utilising the net proceeds
	HK$'million	*%*	*HK$'million*	*HK$'million*	
Investment in or acquisition of potential upstream or downstream targets in the Group's business value chain, or integration with related industries or establish joint operating entities	**2,291.78**	**75.00**	**112.03**	**2,179.75**	**By the end of 2027**
– The Acquisition	*1,850.36*	*60.55*	*112.03 (Note)*	*1,738.33*	*By the end of 2027*
– Other investment or acquisition	441.42	14.45	0	441.42	By the end of 2027
Business operation and development	**458.36**	**15.00**	**109.89**	**348.47**	**By the end of 2027**
Repayment of amounts under the credit facilities	**305.57**	**10.00**	**0**	**305.57**	**By the end of 2027**
Total	**3,055.71**	**100.00**	**527.49**	**2,528.22**	**By the end of 2027**

Note: The amount represents the performance guarantee paid by the Company to the China Securities Depository as required by the applicable laws in the PRC, which would be deducted from the payment for the Consideration for the Partial Offer Shares.

Conditions Precedent

The transfer of the Sale Shares is conditional upon the following conditions, as applicable, being fulfilled or waived:

Payment of the first installment

(i) all transaction documents and related ancillary documents have been duly executed by the parties and delivered to the Company;

(ii) the Vendors' representations and warranties are true, accurate and not misleading as of signing and continue to be so through the first installment payment date; required covenants by all signing parties other than the Company due before the first installment payment have been satisfied;

(iii) the transfer of the Sale Shares and the Partial Offer comply with applicable laws, and there is no legal, regulatory or judicial impediment preventing or materially adversely affecting the Acquisition;

(iv) no government department has issued any order, regulation or measure that would render the Acquisition unlawful, restricted or prohibited;

(v) there are no pending or threatened claims or proceedings against the Vendors, their respective affiliates or the Target Group that would prevent the completion of the transactions contemplated under the Share Transfer Agreement, materially change the commercial terms, or render the transaction unlawful;

(vi) no material adverse change affecting the Target Group has occurred or is reasonably expected;

(vii) the Sale Shares are free of pledges, liens or other encumbrances that would impede the transfer of the Sale Shares;

(viii) the Target Company has provided a list of key employees, and such employees have executed employment, confidentiality, non-compete and IP assignment agreements in forms satisfactory to the Company;

(ix) all required corporate approvals, governmental and stock exchange authorizations (including applicable filings with the SZSE) and third-party consents have been obtained and remain effective; all required disclosures and notices have been made;

(x) the Company has completed its due diligence review of the Target Company and is reasonably satisfied with the results; and

(xi) the SZSE has issued a compliance confirmation in respect of the transfer of the Sale Shares.

Payment of the second installment

(i) the Conditions Precedent above continue to be satisfied;

(ii) the Vendors' representations and warranties are true, accurate and not misleading as of signing and continue to be so through the second installment payment date; required covenants by all signing parties other than the Company due before the second installment payment have been satisfied;

(iii) the Vendors have terminated the escrow arrangement for the Escrow Account in accordance with the Share Transfer Agreement; and

(iv) the China Securities Depository has registered all Sale Shares to the Company's A-share securities account, and the Vendors have provided to the Company with a confirmation issued by the China Securities Depository.

All Conditions Precedent above are waivable by the Company to the extent permissible under applicable laws and regulations. As confirmed by the Directors, as at the Latest Practicable Date, they did not waive, and are not intended to waive, any of the Conditions Precedent.

Completion

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

Upon completion of the transfer of the Sale Shares, the Company will own 29.99% of the entire issued share capital of the Target Company and will become a controlling shareholder of the Target Company (taking into account the giving up of voting rights in relation to the Pre-acceptance Shares by the Vendors as detailed below).

Reconstitution of the board of directors

Upon completion of the transfer of the Sale Shares, the Vendors shall take all actions necessary to cause the reconstitution of the board of directors of the Target Company at the request of the Company. The reconstituted board of directors of the Target Company shall comprise seven directors, of which the Company shall have the right to nominate six directors, and the Company will therefore have control over the board of directors of the Target Company.

Pre-acceptance of the Partial Offer

Subject to the completion of the transfer of the Sale Shares, the Company will make a Partial Offer to the Proposed Offerees to acquire 28,450,000 A Shares (representing approximately 13.02% of the entire issued share capital of the Target Company) at the Partial Offer Price of RMB17.72 per A Share.

The Vendors have agreed and irrevocably undertaken that they shall apply for the pre-acceptance of the Partial Offer with respect to 28,427,612 A Shares, representing approximately 13.01% of the issued share capital of the Target Company), and go through all the relevant procedures for the pre-acceptance. The Pre-acceptance Shares comprise (i) 20,749,383 A Shares owned by Chengfeng Investment (representing approximately 9.50% of the entire issued share capital of the Target Company); (ii) 5,309,505 A Shares owned by Mr. Dong (representing approximately 2.43% of the entire issued share capital of the Target Company); (iii) 224,945 A Shares owned by Ms. Li (representing approximately 0.10% of the entire issued share capital of the Target Company); and (iv) 2,143,779 A Shares owned by Fengchi Investment (representing approximately 0.98% of the entire issued share capital of the Target Company).

In addition, the Vendors have undertaken to voluntarily give up the exercise of their voting rights over the Pre-acceptance Shares for the period commencing from the completion of the transfer of the Sales Shares to the completion of the Partial Offer unless otherwise agreed to by the Company.

Financial Performance Undertaking

Upon the completion of the transfer of the Sale Shares, the Vendors undertake that:

(i) each of the Target Company's (i) net profit attributable to shareholders of the parent company (a "**Net Profit**") and (ii) net profit attributable to owners of the parent company after deducting non-recurring gains and losses (an "**Adjusted Net Profit**") shall be no less than RMB10 million, RMB15 million and RMB20 million for the financial years ending December 31, 2026, 2027 and 2028, respectively; and

(ii) the audited Net Profit and Adjusted Net Profit for the financial year ending December 31, 2025 shall not be lower than the Net Profit and the Adjusted Net Profit for the nine months ended September 30, 2025, as publicly disclosed by the Target Company. Otherwise, the shortfall amount shall be carried forward to the assessment for the financial year ending December 31, 2026.

Should the Target Company attain a Net Profit or an Adjusted Net Profit exceeding its target for any year in the two years ending December 31, 2027, such amount may be carried forward to the assessment for the subsequent year(s), provided that the Net Profit and the Adjusted Net Profit during the period for the Target Company's financial performance undertaking are not negative.

Should the Target Company incur a Net Profit and an Adjusted Net Profit but fail to meet the financial performance targets for any of the aforementioned years, the Vendors shall pay compensation to the Company in the amount of the shortfall amount between the performance target and the lower of the Net Profit or the Adjusted Net Profit for the corresponding year. Should the Target Company incur either a net loss attributable to shareholders of the parent company (a "**Net Loss**") or a net loss attributable to owners of the parent company after deducting non-recurring gains and losses (an "**Adjusted Net Loss**") for any of the aforementioned years, the Vendors shall pay compensation to the Company in the amount of a double of the shortfall amount between the performance target and the lower of the Net Loss or the Adjusted Net Loss for the corresponding year.

For the calculation of the Net Profit, the Adjusted Net Profit, the Net Loss and the Adjusted Net Loss, any profit or loss arising from the business empowerment by the Company or new robotic-related business introduced by the Company upon the completion of the transfer of the Sale Shares shall be excluded.

Financial support by Chengfeng Investment

To support the development of the Target Company, improve its financial position and enhance its capability for sustainable operation, Chengfeng Investment agreed to provide an unconditional, irrevocable, and non-modifiable donation of RMB83 million by cash to the Target Company within five (5) Business Days upon the completion of the Acquisition.

Termination

The Share Transfer Agreement may be terminated under any of the following circumstances:

(a) a material adverse event occurs or is reasonably expected to occur that prevents satisfaction of the Conditions Precedent; the Vendors' representations and warranties are materially incorrect; or the Target Company becomes subject to creditor transfers or insolvency proceedings; and that any of the matters is not remedied within ten (10) Business Days after the Company's written notice;

(b) a material discrepancy of 10% or more and amounting to over RMB4.5 million between the key financial indicators publicly disclosed by the Target Company and its actual performance is identified during the due diligence review of the Target Company;

(c) the transfer registration of the Sale Shares is not completed within 180 days after signing of the Share Transfer Agreement;

(d) any of the following events occurs after the completion of the transfer of the Sale Shares:

(i) the Vendors fails to apply for the pre-acceptance of the Partial Offer, causing the Company's shareholding in the Target Company to be less than 43.00% of the entire issued share capital of the Target Company upon the completion of the Partial Offer;

(ii) due to prior or pre-existing matters, the Target Company is subject to administrative penalties, criminal or CSRC investigations affecting its ability to refinance, issue shares, acquire assets, or fulfil material asset restructuring requirements, or resulting in delisting warnings, delisting, trading suspension for delisting, or termination of listing; or

(iii) the Target Company's financial metric triggers the SZSE financial forced-delisting warning standard in any year during the financial performance undertaking period,

and the Company has the right to require the Vendors to repurchase all or part of the Sale Shares within three months after the occurrence of the above events in accordance with the terms of the Share Transfer Agreement;

(e) any competent authority or stock exchange issues a final and non-appealable order or takes action that prohibits the transactions contemplated under the Share Transfer Agreement; or

(f) the Vendors and the Company mutually agree to terminate the Share Transfer Agreement.

Upon termination of the Share Transfer Agreement, the Vendors shall immediately terminate the escrow arrangement for the Escrow Account and the Company will be able to transfer or utilize the earnest money.

INFORMATION ON THE RELEVANT PARTIES

The Company

The Company is an established robotic company based in the PRC, dedicated to the design, production, commercialization, sales and marketing and research development of smart service robotic products and services.

The Vendors

Chengfeng Investment is an investment holding company incorporated in the PRC. It is ultimately owned as to 65.05% by Mr. Dong and 11.65% by Mr. Lei Deyou (雷德友), 11.65% by Mr. Li Zhong (李中) and 11.65% by Mr. Lu Guohua (盧國華). Chengfeng Investment is the registered owner of 86,279,289 A Shares, representing 39.49% of the entire issued share capital of the Target Company.

Each of Mr. Dong and Ms. Li is a PRC resident. Mr. Dong is the registered owner of 21,238,022 A Shares, representing 9.72% of the entire issued share capital of the Target Company. Ms. Li is the registered owner of 3,972,000 A Shares, representing 1.82% of the entire issued share capital of the Target Company. Mr. Dong and Ms. Li are spouses.

Fengchi Investment is an investment holding company incorporated in the PRC. It is ultimately owned as to 59.65% by Mr. Dong and as to 5.30% by Xia Huanqiang (夏煥強), an Independent Third Party, and 34 other individuals each owning less than 5% of the entire issued share capital of Fengchi Investment. Fengchi Investment is the registered owner of 2,143,779 A Shares, representing 0.98% of the entire issued share capital of the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are Independent Third Parties.

The Target Company and the Target Group

The Target Company is a company limited by shares established in the PRC, and its issued shares are listed and traded on the main board of the Shenzhen Stock Exchange in accordance with the regulations (stock code: 002931.SZ). As of the Latest Practicable Date, the total number of issued shares of the Target Company is 218,505,856 A Shares. The Target Group is principally engaged in the research and development, production, and sales of garden machinery engines and electric complete units, hydraulic control systems, and automotive components. Its products are widely used in garden machinery such as lawnmowers, chainsaws, hedge trimmers, and blowers, as well as in hydraulic and pneumatic control systems for various engineering, industrial, and semiconductor machinery, as well as lightweight and new energy vehicle components.

Set out below is the audited consolidated financial information of the Target Group for the years ended December 31, 2023 and December 31, 2024, and the unaudited consolidated financial information of the Target Group for the nine months ended September 30, 2025, respectively:

	For the year ended December 31, 2023 (audited) *(RMB million)*	For the year ended December 31, 2024 (audited) *(RMB million)*	For the nine months ended September 30, 2025 (unaudited) *(RMB million)*
Revenue	433.3	478.7	373.1
Net profit/(loss) after tax	(2.9)	5.3	25.2
Net profit/(loss) before tax	(7.0)	4.6	21.5
	As at December 31, 2023	**As at December 31, 2024**	**As at September 30, 2025**
Total assets	1,121.5	1,133.1	1,130.1
Net assets	768.2	764.8	950.2

PARTIAL OFFER

Subject to the completion of the transfer of the Sale Shares, the Company will make a Partial Offer to the Proposed Offerees (i.e. all the shareholders of the Target Company other than the Company as at the date of making the Partial Offer by the Company to acquire 28,450,000 A Shares (representing approximately 13.02% of the entire issued share capital of the Target Company) at the price of RMB17.72 per A Share. In particular:

(1) the Company shall make a Partial Offer to the Proposed Offerees to acquire the Partial Offer Shares;

(2) the Vendors have agreed and irrevocably undertaken that they shall apply for the pre-acceptance of the Partial Offer and go through all the relevant procedures for the pre-acceptance;

(3) unless with the written approval by the Company, the Vendors cannot withdraw or modify their undertakings in connection with the Pre-acceptance Shares;

(4) the Partial Offer is not for the purpose of terminating the listing status of the Target Company.

Regarding the source of fund for financing the Consideration for the Partial Offer Shares in the amount of RMB504,134,000.00, the Company intends to use internal resources, including proceeds that were raised by the Company through the General Mandate Placing.

According to Article 24 of Administrative Measures on Acquisition of Listed Companies (amended in 2025) (《上市公司收購管理辦法(2025修正)》), where the shareholding in a listed company by an offeror attain 30% of the issued shares of the said company through securities transactions on the stock exchange and the offeror continues to increase its shareholding, the offeror shall propose an acquisition by offer and make a general offer or a partial offer.

As the Company intends to acquire a total of 43.00% shareholding in the Target Company from the Vendors, the Company is subject to the above requirement. As the initial transfer of 29.99% shareholding in the Target Company would not trigger the above requirement, the Company and the Vendors mutually agreed to directly transfer the first 29.99% shareholding by way of share transfer. To comply with the regulatory requirement above, the remaining portion will be acquired by way of a partial offer.

In the event that the Vendors fail to apply for the pre-acceptance of the Partial Offer, casuing the Company's shareholding in the Target Company to be less than 43.00% of the entire issued share capital of the Target Company, the Company has the right to require the Vendors to repurchase all or part of the Sale Shares within three months in accordance with the terms of the Share Transfer Agreement.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Partial Offer, the Company is expected to own not less than 93,957,518 A Shares (representing approximately 43.00% of entire issued share capital of the Target Company as at the Latest Practicable Date). Through the control of the board of directors of the Target Company, the Target Company will become a non-wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Company.

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at June 30, 2025, as extracted from the interim report of the Company for the six months ended June 30, 2025 published on September 12, 2025, were approximately RMB5.3 billion and RMB2.6 billion, respectively. As set out in Appendix III to this circular, assuming the completion of the Acquisition had taken place on June 30, 2025, the pro forma total assets and total liabilities of the Enlarged Group as at June 30, 2025 would have increased to approximately RMB7.9 billion and RMB4.6 billion, respectively.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE 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 Company in accordance with Chapter 4 of the Listing Rules.

Waiver Sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) on the following grounds:

(a) the Target Company is a company limited by shares established in the PRC whose issued shares are listed and traded on the Main Board of the Shenzhen Stock Exchange (stock code: 002931.SZ) and is subject to the regulatory requirements and guidelines as set forth by the CSRC;

(b) the Company considers that it will be unduly burdensome, time consuming and cost inefficient to conduct the accountants' report of the Target Company (the "**Target's Accountant's Report**"), with minimal benefit to shareholders given the reasons set out in points (c) to (g) below;

(c) the Target Company is required to publish its audited financial statements (the "**Target's Audited Accounts**"), on a regular basis, for each financial year. The Target Company is also required to publish its unaudited financial results (the "**Target's Unaudited Results**") on a quarterly basis. The Target's Audited Accounts for the three (3) financial years ended December 31, 2024, and the Target's Unaudited Results for the first three quarters for the financial year ending December 31, 2025 were published and made available at the websites of the Shenzhen Stock Exchange (http://www.szse.cn) and of the CNINFO (巨潮資訊網), the Target Company's designated information disclosure media (www.cninfo.com.cn);

(d) the Target's Audited Accounts and the Target's Unaudited Results were prepared by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)), a certified public accounting firm recognized by the Ministry of Finance and the CSRC and one of the approved mainland accounting firms eligible for acting as auditors of the companies incorporated in the PRC whose shares are listed on the Stock Exchange, in accordance with the China Accounting Standards for Business Enterprise, which are the same as the accounting policies adopted by the Company for the preparation of its financial information, and the auditors of the Target Company has issued a clean audit opinion on the Target Company for the three years ended December 31, 2024;

(e) the requirements under Chapter 4 of the Listing Rules for an accountants' report have been included in the Target Company's financial statements for the three years ended December 31, 2024, the six months ended June 30, 2025 and the nine months ended September 30, 2025, which are set out in Appendix II to this circular; and

(f) given that the financial information of the Target Company, which is material in assessing its performance and financial position, has already been provided in the Target's Audited Accounts, the Target's Unaudited Results, together with other alternative disclosure (as set forth below) in this circular, the Company has taken reasonable steps to provide the Shareholders with sufficient information to make a properly informed assessment of the Target Company, and the grant of the waiver sought is unlikely to result in any undue risks to the Shareholders and the potential investors.

Alternative disclosures

In order to facilitate the Shareholders and potential investors of the Company to evaluate the Acquisition, the Company has included the following in this circular:

(a) the annual audited consolidated financial statements of the Target Company for the three financial years ended December 31, 2024 as extracted from the annual reports of the Target Company, which are set out in Appendix II to this circular;

(b) the unaudited consolidated financial statements of the Target Company for the six months ended June 30, 2025 as extracted from the 2025 interim report of the Target Company, which are set out in Appendix II to this circular;

(c) the unaudited consolidated financial statements of the Target Company for the nine months ended September 30, 2025 as extracted from the 2025 third quarterly report of the Target Company, which are set out in Appendix II to this circular; and

(d) the management discussion and analysis of the results of operations of the Target Company for the three financial years ended December 31, 2024 and the six months ended June 30, 2025 as extracted from the annual reports and the 2025 interim report of the Target Company, which are set out in Appendix III to this circular.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rule 14.67(6)(a)(i) under the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in design, production, commercialization, sales and marketing and research development of smart service robotic products and services. The Group's offerings ranging from consumer-level robots and appliances, enterprise-level smart service robotic products and services tailored for education, logistics and other sectors, are equipped to different extents with smart features that sense, interact, analyze and process human instructions and external environment such as mapping, temperature measurement and facial recognition. The Target Group is principally engaged in the research and development, production, and sales of garden machinery engines and electric complete units, hydraulic control systems, and automotive components. Its products are widely used in garden machinery such as lawnmowers, chainsaws, hedge trimmers, and blowers, as well as in hydraulic and pneumatic control systems for various engineering, industrial, and semiconductor machinery, as well as lightweight and new energy vehicle components.

The Directors are of the view that the Acquisition aligns strategically with both parties' long-term goals, creates synergies and is expected to bring benefits to the upstream and downstream parts of the Group's value chain. The Acquisition is expected to reduce manufacturing cost and supply-chain risk and expand combined market reach. In particular:

1. the Target Group's deep experience in garden machinery components and longstanding relationships with original equipment manufacturers (OEMs) allow the Group to obtain support for supply of the Target Group's regular and fundamental parts. The Acquisition is expected to create synergies within the upstream part of the Group's value chain as the Target Group can supply regular and fundamental parts for the Group's products such as providing Printed Circuit Board Assembly (PCBA) control modules for its smart lawnmower project. The Group's smart lawnmowers are at initial stage, with estimated sales of not exceeding RMB10 million for the year ended December 31, 2025. By supplying parts to the Group, it allows the Target Group to retain its customer resources and manufacturing experience in traditional parts sector, while also enabling the Group to secure stable supporting production capacity for parts, achieving independent control over certain parts;

2. the Acquisition is also expected to create synergies within the downstream part of the Group's value chain through complementary customer networks and channels. The Target Group's customers in garden machinery, hydraulics systems and automotive supply chains and the Group's industrial, consumer and e-commerce channels can be shared customer resources. The Group can provide OEM manufacturing and technolgy development services for equipment products to the Target Group's existing customers, which can help the Group increase order volume, reduce certification and customer acquisition costs and accelerate market validation process; and

3. in supporting the Group's product research and development, the Target Group's precision cleaning, fine assembly, and multi-dimensional inspection and testing during the manufacturing process mainly rely on skilled manual labor, and its diverse real production scenes can provide the Group with real data, process data and application scenarios for subsequent research and development.

For the foregoing reasons, the Directors are of the view that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms agreed upon after arm's length negotiations between the parties with reference to the prevailing market conditions and are fair and reasonable, and are in the interests of the Group and the Shareholders as a whole.

None of the Directors has any material interest in the Share Transfer Agreement and the transactions contemplated thereunder and is required to abstain from voting on the board resolutions approving the Acquisition and the Share Transfer Agreement.

The Company is expected to continue to operate and expand the existing business of the Group and does not have any current intention or plan to further invest in the Target Company other than the Acquisition as detailed in this circular. Notwithstanding the above, in the case where there is any change of intention or circumstances, the Company shall ensure compliance with all the applicable Listing Rules.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transfer of Sale Shares and the Partial Offer exceeds 25% but none of them exceeds 100% on an aggregated basis pursuant to Rule 14.22 of the Listing Rules, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

THE EGM

The Company will convene and hold the EGM at 4:00 p.m. on Tuesday, March 10, 2026 at JIMU Conference Room, 25/F, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Nanshan District, Shenzhen, PRC to consider and, where appropriate, approve the proposed matters set out in the notice of the EGM. A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. The Company will publish an announcement of the poll results in the manner required under Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

The register of members of the Company will be closed from Thursday, March 5, 2026 to Tuesday, March 10, 2026, both days inclusive, in order to determine the eligibility of Shareholders who are entitled to attend and vote at the EGM. Shareholders whose name appear on the register of members of the Company on Tuesday, March 10, 2026 will be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders), no later than 4:30 p.m. on Wednesday, March 4, 2026.

If you intend to appoint a proxy to attend the EGM, you are required to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the form. If the instrument appointing the proxy is signed by a person authorised by the appointer, the power of attorney authorising the execution of the instrument or other authorisation documents shall be notarised and must be served concurrently with the instrument. The form of proxy, together with the copies of the notarised power of attorney or other authorisation documents, shall be deposited at the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders), or the registered office of the Company at Room 2201, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Changyuan Community, Taoyuan Street, Nanshan District, Shenzhen, PRC (for Domestic Shareholders) not later than 24 hours before the time designated for the EGM (i.e. not later than 4:00 p.m. on Monday, March 9, 2026) or any adjournment thereof (as the case may be) before the form becomes effective. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution to be proposed at the EGM will be voted on by poll.

The trustee of the H Share incentive scheme adopted by the Company on September 12, 2024, holding 815,950 unvested H Shares, was required to abstain from voting on the resolution approving the Acquisition at the EGM. Save as disclosed, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder would be required to abstain from voting on the resolution to be proposed at the EGM.

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 Company. 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.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the resolution for the Acquisition is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
UBTECH ROBOTICS CORP LTD
Jian ZHOU
Chairman, Executive Director and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended December 31, 2022, 2023 and 2024 and the six months ended 30 June 2025 were disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (www.ubtrobot.com) and can be accessed at the website addresses below:

- Prospectus of the Company dated December 19, 2023 (with financial information for the year ended December 31, 2022) (pages I-3 to I-89)
  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1219/2023121900021.pdf

- Annual report of the Company for the year ended December 31, 2023 (pages 156 to 266)
  https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043000999.pdf

- Annual report of the Company for the year ended December 31, 2024 (pages 174 to 292)
  https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0430/2025043002530.pdf

- Interim report of the Company for the six months ended June 30, 2025 (pages 46 to 164)
  https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0912/2025091200470.pdf

2. INDEBTEDNESS STATEMENT

As of December 31, 2025, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding indebtedness as follows:

Borrowings

The following table sets forth the breakdown of the Group's and the Target Group's borrowings as of December 31, 2025:

	The Group	The Target Group
	RMB'000	*RMB'000*
Current:		
Short-term borrowings, secured and guaranteed	15,022	–
Short-term borrowings, secured and unguaranteed	–	41,000
Short-term borrowings, unsecured and guaranteed	507,836	–
Short-term borrowings, unsecured and unguaranteed	100,000	7,005
Long-term borrowings to be settled within one year, secured and guaranteed	60,696	–
	683,554	48,005
Non-current:		
Long-term borrowings, secured and guaranteed	439,400	–
	1,122,954	48,005

The Group's secured borrowings of approximately RMB515 million were secured by certain land use rights of the Group as collateral, and pledged by the equity interest of subsidiaries and patent rights independently developed by the Group as pledges as at December 31, 2025.

The Target Group's secured borrowings of approximately RMB41 million were pledged by certain financing receivables of the Target Group as pledges as at December 31, 2025.

Lease Liabilities

The following table sets forth the breakdown of the Group's and the Target Group's lease liabilities as of December 31, 2025:

	The Group	The Target Group
	RMB'000	*RMB'000*
Non-current lease liabilities	25,523	–
Current lease liabilities	23,836	–
	49,359	–

Contingent liabilities

As of December 31, 2025, the Group and the Target Group did not have any outstanding material contingent liabilities.

Save as aforesaid or except for intra-group liabilities and normal trade payables, as of December 31, 2025, none of members of the Enlarged Group had (a) any debt securities issued and outstanding, and authorized or otherwise created but unissued; (b) any term loans; (c) any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors confirmed that there was no 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 financial statements of the Group were made up.

4. SUFFICIENCY OF WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into account the Acquisition and the financial resources available to the Enlarged Group including cash flows to be generated from the operating activities and the available credit facilities, the Enlarged Group has sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances. The Directors confirm that requirements under Rule 14.66(12) have been complied with.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP FOLLOWING THE ACQUISITION

Upon completion of the Acquisition, the Group will build on its existing business and make improvements in the following areas:

(1) Integrating the Target Company's part supply capabilities and providing regular and fundamental parts products to the Group

The Target Company primarily engages in the research and development, production and sales of garden machinery components, automotive components and hydraulic components and is able to provide certain electrical control and mechanical part products to the Group.

Upon completion of the Acquisition, the Target Company will continue its garden machinery, automotive and hydraulic component businesses, and no assets of the Group will be transferred to or injected to the Target Group within the next 36 months. The Target Company can supply the Group with regular and fundamental parts, such as providing Printed Circuit Board Assembly (PCBA) control modules for the smart lawnmower project. This approach both preserves the Target Group's traditional customer base and manufacturing experience in parts and allows the Company to secure stable supporting production capacity for parts, achieving independent control over certain parts.

(2) Complementary customer networks and channels create synergies in the downstream segments of the Group's value chain

The Target Group's customers in the fields of garden machinery, hydraulic systems, and automotive supply chains can share customer resources with the Group's industrial, consumer goods, and e-commerce channels. The Group can provide OEM manufacturing and technology development services for equipment products to the Target Group's existing customers, which can help the Group increase order volume, reduce certification and customer acquisition costs and accelerate the market validation process.

(3) Using the Target Group's production-line scenarios to provide real data, process data and application scenarios

In supporting the Group's product research and development, upon completion of the Acquisition, the Target Company's diversified production scenarios and complex process operations will provide the Group with more real data, process data and application scenarios for subsequent research and development use.

The Company will keep the Shareholders and potential investors of the Company informed of the latest status and development of the Group following the completion of the Acquisition as and when appropriate.

For the purpose of this section only, unless the context requires otherwise, references to the "Company" or "Parent Company" are to the Target Company, and references to "we", "us" and "our" shall be construed accordingly.

The following is an extract of the audited consolidated financial statements of the Target Company for the three years ended 31 December 2022, 2023 and 2024, and the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2025 and for the nine months ended 30 September 2025, each of which were prepared in accordance with the China Accounting Standards for Business Enterprise, as extracted from the respective annual reports of the Target Company for the three years ended 31 December 2022, 2023 and 2024, the interim report of the Target Company for the six months ended 30 June 2025 and the third quarterly report of the Target Company for the nine months ended 30 September 2025 respectively. These financial statements were issued in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

Section X Financial Report

I. Audit Report

Audit opinion	Standard unqualified opinion
Signing date of audit report	April 21, 2023
Name of auditor	Pan-China Certified Public Accountants LLP
Number of audit report	Tian Jian Shen [2023] No. 3208
Name of certified public accountants	Hu Yanhua, Li Yajuan

Text of the Audit Report

Audit Report

Tian Jian Shen [2023] No. 3208

To all shareholders of Zhejiang Fenglong Electric Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Zhejiang Fenglong Electric Co., Ltd. (hereinafter referred to as "Fenglong Electric" or "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2022, the consolidated and parent company income statements, cash flow statements and statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company financial position of Fenglong Electric as at December 31, 2022, and its consolidated and parent company financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Descriptions

Details of relevant information are disclosed in Note III (XXIII), V(II)1 to the financial statements.

The Company's operating revenue is primarily derived from key components for garden machinery, automotive parts, and hydraulic components. In 2022, the Company's operating revenue totalled RMB587.3298 million, of which domestic sales accounted for RMB330.2786 million (56.23% of operating revenue) and export sales amounted to RMB257.0512 million (43.77% of operating revenue).

As operating revenue is one of the Company's key performance indicators, there is an inherent risk that the Company's management (the "Management") may manipulate revenue recognition to achieve specific targets or expectations. Accordingly, we identified revenue recognition as a key audit matter.

2. Audit response

Our audit procedures related to revenue recognition included the following, among others:

(1) Understand the key internal controls related to revenue recognition, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Inspect sales contracts to understand principal contract terms and conditions, and assess the appropriateness of revenue recognition methods;

(3) Perform substantive analytical procedures on operating revenue and gross margin by month, product and customer to identify material or unusual fluctuations and ascertain the underlying causes;

(4) For domestic sales, examine on a sample basis supporting documentation related to revenue recognition, including sales contracts, orders, sales invoices, warehouse release notes, delivery notes, shipping documents and customer reconciliation statements; for export sales, obtain customs export certification documents and compare with accounting records, and examine on a sample basis supporting documentation including sales contracts, export customs declarations, bills of lading, sales invoices, delivery receipts and settlement statements;

(5) In conjunction with accounts receivables confirmations, confirm sales amounts for the current period with major customers on a sample basis;

(6) Perform cut-off tests on revenue recognized around the balance sheet date to evaluate whether revenue is recognized in the appropriate period;

(7) Obtain records of sales returns after the balance sheet date and examine whether there were instances where revenue recognition criteria were not met as at the balance sheet date;

(8) Obtain the Company's VAT export tax rebate schedules and perform matching analysis against export sales revenue;

(9) Examine freight and handling charges and outstanding balances with principal freight forwarders for the reporting period, and perform matching analysis between sales revenue and freight and handling charges;

(10) Review whether information related to operating revenue has been appropriately presented and disclosed in the financial statements.

(II) Impairment of accounts receivables

1. Descriptions

Details of relevant information are disclosed in Note III(IX) and Note V(I)4 to the financial statements.

As of December 31, 2022, Fenglong Electric had accounts receivables with a book balance of RMB124.4807 million, provisions for bad debts of RMB6.2243 million, and a carrying value of RMB118.2564 million.

Management measures the loss allowance for accounts receivables based on the credit risk characteristics of individual receivables on a collective basis, at an amount equal to lifetime expected credit losses. For accounts receivables for which expected credit losses are measured on a collective basis, Management categorizes such receivables into groups based on aging, and with reference to historical credit loss experience adjusted for forward-looking estimates, prepares a provision matrix that correlates the aging of accounts receivables with rate of expected credit loss to determine the provisions for bad debts to be recognized.

Given the materiality of accounts receivables and the significant management judgement involved in assessing impairment, we identified the impairment of accounts receivables as a key audit matter.

2. Audit response

Our principal audit procedures related to impairment of accounts receivables included the following, among others:

(1) Understand the key internal controls related to impairment of accounts receivables, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review the subsequent write-offs or reversals of accounts receivables for which allowances were previously provided, and assess the accuracy of Management's historical forecasts;

(3) Review Management's considerations and objective evidence in assessing credit risk of accounts receivables, and evaluate whether Management has appropriately identified the credit risk characteristics of individual receivables;

(4) For accounts receivables measured on a collective basis, assess the reasonableness of Management's portfolio classification by credit risk characteristics; evaluate the reasonableness of Management's comparison table of aging brackets against rate of expected credit loss determined based on historical credit loss experience and forward-looking estimates; test the accuracy and completeness of data used by Management (including aging of accounts receivables and historical loss rates) and verify the accuracy of allowance calculations;

(5) Evaluate the reasonableness of Management's provisions for bad debts in conjunction with accounts receivables confirmations and subsequent collections;

(6) Review whether information related to impairment of accounts receivables has been appropriately presented and disclosed in the financial statements.

(III) Net realizable value of inventories

1. Descriptions

Details of relevant information are disclosed in Note III(X) and Note V(I)8 to the financial statements.

As of December 31, 2022, Fenglong Electric had inventories with a book balance of RMB178.5724 million, provision for decline in value of RMB4.463 million, and a carrying value of RMB174.1094 million.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, with provision for decline in value made for the excess of cost over net realizable value by inventory category. Based on the purpose of holding inventories, Management determines estimated selling prices by reference to historical selling prices, actual selling prices and contracted selling prices, and calculates net realizable value as estimated selling price less estimated costs to completion, estimated selling expenses and related taxes.

Given the materiality of inventories and the significant Management judgement involved in determining net realizable value, we identified the net realizable value of inventories as a key audit matter.

2. Audit response

Our principal audit procedures related to net realizable value of inventories included the following, among others:

(1) Understand the key internal controls related to net realizable value of inventories, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review Management's historical forecasts of net realizable value of inventories against actual operating results, and assess the accuracy of Management's past predictions;

(3) Review on a sample basis Management's forecasts of estimated selling prices of inventories, and compare estimated selling prices with historical data, subsequent events and market information;

(4) Assess the reasonableness of Management's estimates of costs to completion, selling expenses and related taxes for inventories;

(5) Test the accuracy of Management's calculations of net realizable value of inventories;

(6) In conjunction with physical inventory observation, examine whether year-end inventories include items with extended aging, obsolete models, declining production volumes, fluctuations in production costs or selling prices, or changes in technology or market demand, and evaluate whether Management has reasonably estimated net realizable value;

(7) Review whether information related to net realizable value of inventories has been appropriately presented and disclosed in the financial statements.

IV. Other Information

The Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

In preparing the financial statements, the Management is responsible for assessing Fenglong Electric's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Fenglong Electric or to cease operations, or have no realistic alternative but to do so.

Those charged with governance of Fenglong Electric ("those charged with governance") are responsible for overseeing Fenglong Electric's financial reporting process.

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Fenglong Electric's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fenglong Electric to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure, and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Fenglong Electric 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 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 for the current period and are therefore key audit matters. We describe these matters in our audit report unless laws or regulations preclude public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Certified Public Accountant: Hu Yanhua
(Engagement Partner)

Hangzhou, China

Certified Public Accountant: Li Yajuan

April 21, 2023

II. Financial Statements

Statements in notes to the financial statements are dominated in RMB.

1. Consolidated balance sheet

Prepared by: Zhejiang Fenglong Electric Co., Ltd.

December 31, 2022

In RMB

Item	December 31, 2022	January 1, 2022
Current assets:		
Cash at bank and on hand	168,406,023.21	134,864,744.08
Balances with clearing agencies		
Placements with banks and other financial institutions		
Financial assets held for trading	129,391,836.06	238,000,000.00
Derivative financial assets		
Notes receivable		1,436,362.06
Accounts receivables	118,256,397.27	176,419,269.22
Financing receivables	23,886,005.90	20,022,709.52
Prepayments	7,238,107.77	15,521,649.76
Premium receivable		
Amounts receivable under reinsurance contracts		
Reinsurer’s share of insurance contract reserves		
Other receivables	1,293,286.20	3,155,658.75
Incl.: Interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	174,109,356.14	220,288,069.69

Contract assets	5,625,615.00	
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	200,131.42	2,014,280.66
Total current assets	628,406,758.97	811,722,743.74
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	20,559,811.20	18,528,447.60
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	184,991,031.94	191,194,506.19
Construction in progress	222,954,579.83	122,290,938.57
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	67,540,861.51	70,703,102.71
Development expenditure		
Goodwill	9,209,196.75	9,384,691.30
Long-term prepaid expenses	1,662,580.05	2,387,778.62
Deferred tax assets	7,402,056.22	4,959,379.12
Other non-current assets	7,586,105.84	28,975,173.01
Total non-current assets	521,906,223.34	448,424,017.12
Total assets	1,150,312,982.31	1,260,146,760.86
Current liabilities:		
Short-term borrowings	89,040,578.47	126,808,188.04
Loans from the central bank		
Taking from banks and other financial institutions		
Financial liabilities held for trading	4,570,481.78	5,168,522.44
Derivative financial liabilities		
Notes payable	6,040,828.41	20,893,107.36
Accounts payables	92,913,316.86	138,379,090.88
Receipts in advance		
Contract liabilities	609,762.30	507,360.30
Financial assets sold under repurchase agreements		
Customer deposits and deposits from banks and other financial institutions		
Funds from securities trading agency		
Funds from underwriting securities agency		
Employee benefits payable	14,226,732.61	14,815,365.20

Taxes payable	5,063,394.39	5,767,643.58
Other payables	21,527,428.71	22,310,334.22
Incl.: Interest payable		
Dividends payable		
Fees and commissions payable		
Amounts payable under reinsurance contracts		
Held-for-sale liabilities		
Non-current liabilities to be settled within one year	1,707,792.77	7,352,255.49
Other current liabilities	79,269.10	65,956.84
Total current liabilities	235,779,585.40	342,067,824.35
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		54,843,771.40
Bonds payable	199,569,868.19	187,518,634.90
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	3,329,501.33	3,978,631.41
Deferred tax liabilities	4,361,353.62	4,071,349.86
Other non-current liabilities		
Total non-current liabilities	207,260,723.14	250,412,387.57
Total liabilities	443,040,308.54	592,480,211.92
Owner's equity:		
Share capital	199,172,306.00	199,140,144.00
Other equity instruments	62,065,882.53	62,169,270.38
Incl.: Preference shares		
Perpetual bonds		
Capital reserve	130,603,143.67	119,752,821.43
Less: Treasury shares	20,924,906.66	20,924,906.66
Other comprehensive income	-29,116.58	-177,743.40
Special reserve		
Surplus reserve	27,186,161.35	24,645,422.94
General risk reserve		
Undistributed profit	309,199,203.46	283,061,540.25
Total equity attributable to owners of the parent company	707,272,673.77	667,666,548.94
Minority interests		
Total owners' equity	707,272,673.77	667,666,548.94
Total liabilities and owners' equity	1,150,312,982.31	1,260,146,760.86

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

2. Balance sheet of the parent company

In RMB

Item	December 31, 2022	January 1, 2022

Current assets:		
Cash at bank and on hand	124,534,461.01	99,752,242.97
Financial assets held for trading	86,392,836.06	215,000,000.00
Derivative financial assets		
Notes receivable		
Accounts receivables	24,992,508.15	65,962,084.15
Financing receivables	10,003,771.10	16,513,016.73
Prepayments	1,149,362.20	3,800,460.36
Other receivables	178,172,686.85	162,991,773.09
Incl.: Interest receivable		
Dividends receivable		
Inventories	40,688,309.19	58,613,261.08
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	199,517.96	
Total current assets	466,133,452.52	622,632,838.38
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	296,195,585.67	288,676,474.07
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	29,522,220.70	29,497,542.13
Construction in progress	106,927,434.24	56,411,756.19
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	23,499,810.94	24,158,434.30
Development expenditure		
Goodwill		
Long-term prepaid expenses	733,904.07	1,047,850.06
Deferred tax assets	312,018.37	962,216.72
Other non-current assets	2,098,957.52	3,815,154.00
Total non-current assets	459,289,931.51	404,569,427.47
Total assets	925,423,384.03	1,027,202,265.85
Current liabilities:		
Short-term borrowings	36,037,186.11	80,783,376.93
Financial liabilities held for trading		598,040.66
Derivative financial liabilities		

Notes payable	36,140,828.41	35,893,107.36
Accounts payables	38,035,485.46	59,183,359.08
Receipts in advance		
Contract liabilities	609,762.30	175,137.97
Employee benefits payable	5,012,400.53	5,453,638.91
Taxes payable	406,459.27	1,323,080.83
Other payables	21,109,486.64	23,407,384.88
Incl.: Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities to be settled within one year	1,707,792.77	7,352,255.49
Other current liabilities	79,269.10	22,767.94
Total current liabilities	139,138,670.59	214,192,150.05
Non-current liabilities:		
Long-term borrowings		54,843,771.40
Bonds payable	199,569,868.19	187,518,634.90
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	1,104,090.00	1,309,400.00
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	200,673,958.19	243,671,806.30
Total liabilities	339,812,628.78	457,863,956.35
Owner's equity:		
Share capital	199,172,306.00	199,140,144.00
Other equity instruments	62,065,882.53	62,169,270.38
Incl.: Preference shares		
Perpetual bonds		
Capital reserve	149,338,218.74	138,487,896.50
Less: Treasury shares	20,924,906.66	20,924,906.66
Other comprehensive income		
Special reserve		
Surplus reserve	26,831,248.95	24,290,510.54
Undistributed profit	169,128,005.69	166,175,394.74
Total owners' equity	585,610,755.25	569,338,309.50
Total liabilities and owners' equity	925,423,384.03	1,027,202,265.85

3. Consolidated income statement

In RMB

Item	2022	2021
I. Total operating revenue	587,329,796.07	719,638,673.81

Incl.: Operating revenue	587,329,796.07	719,638,673.81
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	551,754,678.24	624,221,181.60
Incl.: Operating cost	452,498,217.34	516,778,191.57
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims expenses		
Net provision for insurance contracts reserve		
Insurance policyholder dividends		
Expenses for reinsurance accepted		
Taxes and surcharges	3,276,812.75	3,087,161.26
Selling expenses	9,972,859.06	10,621,140.13
Administrative expenses	47,914,962.17	42,245,551.53
Research and development expenses	38,866,439.24	43,774,437.41
Financial expenses	-774,612.32	7,714,699.70
Incl.: Interest expenses	8,083,643.50	5,635,831.25
Interest income	904,517.62	1,051,027.12
Add: Other income	7,998,076.81	6,080,882.99
Investment income (loss is indicated by "-")	4,619,367.33	4,733,435.00
Incl.: Income from investments in associates and joint ventures	2,031,363.60	941,263.06
Income from derecognition of financial assets measured at amortized cost		
Foreign exchange gains (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		
Gains from changes in fair value (loss is indicated by "-")	1,720,804.68	-4,131,856.74
Impairment losses of credit (loss is indicated by "-")	4,782,444.13	-2,413,890.36
Impairment losses of assets (loss is indicated by "-")	-4,569,255.06	-372,851.26
Gains from disposal of assets (loss is indicated by "-")	-391,469.16	96,943.60
III. Operating profit (loss is indicated by "-")	49,735,086.56	99,410,155.44
Add: Non-operating revenue	60,259.40	285,114.01
Less: Non-operating expenses	139,891.59	105,273.22
IV. Total profit (total losses are indicated by "-")	49,655,454.37	99,589,996.23

Less: Income tax expense	1,063,018.05	10,172,585.11
V. Net profit (net loss is indicated by "-")	48,592,436.32	89,417,411.12
(I) Categorized by the nature of continuing operation		
1. Net profit from continuing operations (net loss is indicated by "-")	48,592,436.32	89,417,411.12
2. Net profit from discontinued operations (net loss is indicated by "-")		
(II) Categorized by ownership		
1. Net profit attributable to shareholders of the parent company	48,592,436.32	79,215,071.10
2. Profit or loss attributable to minority interests		10,202,340.02
VI. Other comprehensive income, net of tax	148,626.82	-38,557.10
Other comprehensive income attributable to owners of the parent company, net of tax	148,626.82	-38,557.10
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		
(II) Other comprehensive income that will be reclassified to profit or loss	148,626.82	-38,557.10
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies	148,626.82	-38,557.10
7. Others		
Other comprehensive income attributable to minority interests, net of tax		
VII. Total comprehensive income	48,741,063.14	89,378,854.02
Total comprehensive income attributable to owners of the parent company	48,741,063.14	79,176,514.00
Total comprehensive income attributable to minority interests		10,202,340.02
VIII. Earnings per share		
(I) Basic earnings per share	0.24	0.4
(II) Diluted earnings per share	0.23	0.37

With respect to the business mergers involving entities under common control consummated in the current period, the net profit of the acquirees was nil prior to the merger, and nil in the prior period.

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

4. Income statement of the parent company

In RMB

Item	2022	2021
I. Operating revenue	232,344,159.66	344,762,615.19
Less: Operating cost	172,059,209.16	247,402,157.32

Taxes and surcharges	1,155,621.07	1,390,609.36
Selling expenses	5,225,416.49	5,739,303.49
Administrative expenses	21,277,547.35	18,499,163.05
R&D expenses	13,549,005.52	16,762,476.04
Financial expenses	12,564,029.28	13,539,662.37
Incl.: Interest expenses	18,048,816.43	15,040,317.45
Interest income	1,238,659.69	1,708,299.37
Add: Other income	4,902,417.42	4,377,698.37
Investment income (loss is indicated by "-")	10,517,511.52	7,867,959.40
Incl.: Income from investments in associates and joint ventures	2,031,363.60	941,263.06
Income from derecognition of financial assets measured at amortized cost (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		
Gains from changes in fair value (loss is indicated by "-")	1,720,804.68	-598,040.66
Impairment losses of credit (loss is indicated by "-")	3,639,651.57	-4,373,302.98
Impairment losses of assets (loss is indicated by "-")	-849,264.76	-122,862.05
Gains from disposal of assets (loss is indicated by "-")	-43,402.85	117,480.26
II. Operating profit (loss is indicated by "-")	26,401,048.37	48,698,175.90
Add: Non-operating revenue	4.34	159,954.42
Less: Non-operating expenses	100,026.02	102,760.67
III. Total profit (total losses are indicated by "-")	26,301,026.69	48,755,369.65
Less: Income tax expense	893,642.63	5,528,427.60
IV. Net profit (net loss is indicated by "-")	25,407,384.06	43,226,942.05
(I) Net profit from continuing operations (net loss is indicated by "-")	25,407,384.06	43,226,942.05
(II) Net profit from discontinued operations (net loss is indicated by "-")		
V. Other comprehensive income, net of tax		
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		

(II) Other comprehensive income that will be reclassified to profit or loss		
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies		
7. Others		
VI. Total comprehensive income	25,407,384.06	43,226,942.05
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated statements of cash flows

In RMB

Item	2022	2021
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	682,381,651.11	732,972,107.26
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from the central bank		
Net increase in taking from banks and other financial institutions		
Cash receipts from premiums under direct insurance contracts		
Net cash receipts from reinsurance business		
Net cash receipts from policyholders' deposits and investment contract liabilities		
Cash receipts from interest, fees and commissions		
Net increase in taking from banks and other financial institutions		
Net increase in financial assets sold under repurchase arrangements		
Net cash received from securities trading agency		
Receipts of tax refunds	15,284,641.03	25,095,786.45
Other cash receipts relating to operating activities	45,013,030.56	70,723,103.38
Sub-total of cash inflows from operating activities	742,679,322.70	828,790,997.09
Cash payments for goods purchased and services received	433,476,165.68	577,668,250.76
Net increase in loans and advances to customers		
Net increase in balance with the central bank and due from banks and other financial institutions		
Cash payments for claims and policyholders' benefits under direct insurance contracts		
Net increase in placements with banks and other financial institutions		
Cash payments for interest, fees and commissions		
Cash payments for insurance policyholder dividends		
Cash payments to and on behalf of employees	103,029,677.94	120,340,491.91
Payment of various types of taxes	9,646,097.27	17,951,301.84
Other cash payments relating to operating activities	54,130,995.23	78,487,833.95
Sub-total of cash outflows from operating activities	600,282,936.12	794,447,878.46
Net cash flows from operating activities	142,396,386.58	34,343,118.63
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	600,129,000.00	616,100,000.00
Cash receipts from investment income	2,765,376.11	3,904,870.68
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	138,064.16	2,269,618.42

Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities	1,740,000.00	
Sub-total of cash inflows from investing activities	604,772,440.27	622,274,489.10
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	98,129,579.20	130,306,062.83
Cash payments to acquire investments	490,128,000.00	724,000,000.00
Net increase in pledged loans receivable		
Net cash payments for acquisitions of subsidiaries and other business entities		
Other cash payments relating to investing activities		
Sub-total of cash outflows from investing activities	588,257,579.20	854,306,062.83
Net cash flows from investment activities	16,514,861.07	-232,031,573.73
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Incl.: Cash received by subsidiaries from minority shareholders' investments		
Cash receipts from borrowings	199,268,555.57	427,183,786.46
Other cash receipts relating to financing activities		20,924,906.66
Sub-total of cash inflows from financing activities	199,268,555.57	448,108,693.12
Cash repayments of borrowings	301,213,379.98	79,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses	25,963,411.77	23,636,290.58
Incl.: Dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities		145,025,302.01
Sub-total of cash outflows from financing activities	327,176,791.75	247,661,592.59
Net cash flows from financing activities	-127,908,236.18	200,447,100.53
IV. Effect of foreign exchange rate changes on cash and cash equivalents	5,020,715.08	-2,141,510.59
V. Net increase in cash and cash equivalents	36,023,726.55	617,134.84
Add: Opening balance of cash and cash equivalents	128,513,401.67	127,896,266.83
VI. Closing balance of cash and cash equivalents	164,537,128.22	128,513,401.67

6. Statement of cash flows of the parent company

In RMB

Item	2022	2021
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	302,308,866.54	375,384,607.17
Receipts of tax refunds	7,741,556.38	10,251,783.37
Other cash receipts relating to operating activities	42,682,135.43	65,469,658.04
Sub-total of cash inflows from operating activities	352,732,558.35	451,106,048.58
Cash payments for goods purchased and services received	177,431,231.13	261,589,815.73
Cash payments to and on behalf of employees	31,940,008.75	40,584,924.85
Payment of various types of taxes	2,769,416.71	8,541,083.01
Other cash payments relating to operating activities	44,112,802.72	115,846,923.76
Sub-total of cash outflows from operating activities	256,253,459.31	426,562,747.35
Net cash flows from operating activities	96,479,099.04	24,543,301.23
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	510,000,000.00	550,000,000.00
Cash receipts from investment income	6,541,296.17	5,772,249.71
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	12,200.00	3,086,229.38

Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities	217,959,018.29	56,816,255.40
Sub-total of cash inflows from investing activities	734,512,514.46	615,674,734.49
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	60,779,553.35	50,063,385.76
Cash payments to acquire investments	381,000,000.00	758,223,253.60
Net cash payments for acquisitions of subsidiaries and other business entities		
Other cash payments relating to investing activities	228,675,743.42	136,321,498.84
Sub-total of cash outflows from investing activities	670,455,296.77	944,608,138.20
Net cash flows from investment activities	64,057,217.69	-328,933,403.71
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Cash receipts from borrowings	111,000,000.00	381,485,536.46
Other cash receipts relating to financing activities	58,000,000.00	78,224,906.66
Sub-total of cash inflows from financing activities	169,000,000.00	459,710,443.12
Cash repayments of borrowings	219,380,254.98	35,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses	25,424,681.14	22,817,010.05
Other cash payments relating to financing activities	60,000,000.00	105,602,048.41
Sub-total of cash outflows from financing activities	304,804,936.12	163,419,058.46
Net cash flows from financing activities	-135,804,936.12	296,291,384.66
IV. Effect of foreign exchange rate changes on cash and cash equivalents	2,533,284.85	-910,764.75
V. Net increase in cash and cash equivalents	27,264,665.46	-9,009,482.57
Add: Opening balance of cash and cash equivalents	93,400,900.56	102,410,383.13
VI. Closing balance of cash and cash equivalents	120,665,566.02	93,400,900.56

7. Consolidated statement of changes in owners' equity

Amount in the current period

In RMB

Item	2022														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	199,140,144.00			62,169,270.38	119,752,821.43	20,924,906.66	- 177,743.40		24,645,422.94		283,061,540.25		667,666,548.94		667,666,548.94
Add: Changes in accounting policies															
Corrections of prior period errors															
Business merger under common control															
Others															
II. Opening balance of the current year	199,140,144.00			62,169,270.38	119,752,821.43	20,924,906.66	- 177,743.40		24,645,422.94		283,061,540.25		667,666,548.94		667,666,548.94
III. Changes for the current period (decrease is indicated by "-")	32,162.00			- 103,387.85	10,850,322.24		148,626.82		2,540,738.41		26,137,663.21		39,606,124.83		39,606,124.83
(I) Total comprehensive income							148,626.82				48,592,436.32		48,741,063.14		48,741,063.14
(II) Owners' contributions and reduction in capital	32,162.00			- 103,387.85	10,850,322.24								10,779,096.39		10,779,096.39
1. Ordinary shares contributed by owners					401,321.24								401,321.24		401,321.24
2.Capital contribution from holders of other equity instruments	32,162.00			- 103,387.85									- 71,225.85		- 71,225.85
3. Share-based payment recognized in owners' equity					10,449,001.00								10,449,001.00		10,449,001.00
4. Others															

(III) Profit distribution									2,540,738.41		- 22,454,773.11		- 19,914,034.70		- 19,914,034.70
1. Transfer to surplus reserve									2,540,738.41		- 2,540,738.41				
2. Transfer to general risk reserve															
3. Distributions to owners (shareholders)											- 19,914,034.70		- 19,914,034.70		- 19,914,034.70
4. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve (or conversion to share capital)															
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the current period															
2. Amount utilized in the current period															
(VI) Others															
IV. Closing balance of the current period	199,172,306.0			62,065,882.53	130,603,143.67	20,924,906.66	- 29,116.58		27,186,161.35		309,199,203.46		707,272,673.77		707,272,673.77

Amount in the prior period

In RMB

Item	2021														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	142,208,000.00				207,903,349.82		- 139,186.30		20,322,728.73		229,500,363.36		599,795,255.61	80,770,831.84	680,566,087.45
Add: Changes in accounting policies															
Corrections of prior period errors															
Business merger under common control															
Others															
II. Opening balance of the current year	142,208,000.00				207,903,349.82		- 139,186.30		20,322,728.73		229,500,363.36		599,795,255.61	80,770,831.84	680,566,087.45
III. Changes for the current period(decrease is indicated by "-")	56,932,144.00			62,169,270.38	- 88,150,528.39	20,924,906.66	- 38,557.10		4,322,694.21		53,561,176.89		67,871,293.33	- 80,770,831.84	- 12,899,538.51
(I) Total comprehensive income							- 38,557.10				79,215,071.10		79,176,514.00	10,202,340.02	89,378,854.02
(II) Owners' contributions and reduction in capital	48,944.00			62,169,270.38	- 19,017,246.65	20,924,906.66							22,276,061.07		22,276,061.07
1. Ordinary shares contributed by owners					579,694.10	41,802,048.41							- 41,222,354.31		- 41,222,354.31
2.Capital contribution from holders of other equity instruments	48,944.00			- 158,541.60									- 109,597.60		- 109,597.60
3. Share-based payment recognized in owners' equity					1,280,201.00								1,280,201.00		1,280,201.00
4. Others				62,327,811.98	- 20,877,141.75	- 20,877,141.75							62,327,811.98		62,327,811.98
(III) Profit distribution									4,322,694.21		- 25,653,894.21		- 21,331,200.00		- 21,331,200.00

1. Transfer to surplus reserve									4,322,694.21		- 4,322, 694.21				
2. Transfer to general risk reserve															
3. Distributions to owners (shareholders)											- 21,331,200.00		- 21,331,200.00		- 21,331,200.00
4. Others															
(IV) Transfers within owners' equity	56,883,200.00				- 56,883,200.00										
1. Capitalization of capital reserve (or conversion to share capital)	56,883,200.00				- 56,883,200.00										
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the period															
2. Amount utilized in the period															
(VI) Others					- 12,250,081.74								- 12,250,081.74	- 90,973,171.86	- 103,223,253.60
IV. Closing balance of the current period	199,140,144.00			62,169,270.38	119,752,821.43	20,924,906.66	- 177,743.40		24,645,422.94		283,061,540.25		667,666,548.94		667,666,548.94

8. Statement of changes in owners' equity of the parent company

Amount in the current period

In RMB

Item	2022											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the prior year	199,140,144.00			62,169,270.38	138,487,896.50	20,924,906.66			24,290,510.54	166,175,394.74		569,338,309.50
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	199,140,144.00			62,169,270.38	138,487,896.50	20,924,906.66			24,290,510.54	166,175,394.74		569,338,309.50
III. Changes for the current period (decrease is indicated by "-")	32,162.00			- 103,387.85	10,850,322.24				2,540,738.41	2,952,610.95		16,272,445.75
(I) Total comprehensive income										25,407,384.06		25,407,384.06
(II) Owners' contributions and reduction in capital	32,162.00			- 103,387.85	10,850,322.24							10,779,096.39
1. Ordinary shares contributed by owners					401,321.24							401,321.24
2. Capital contribution from holders of other equity instruments	32,162.00			- 103,387.85								- 71,225.85
3. Share-based payment recognized in owners' equity					10,449,001.00							10,449,001.00
4. Others												
(III) Profit distribution									2,540,738.41	- 22,454,773.11		- 19,914,034.70

1. Transfer to surplus reserve									2,540,738.41	- 2,540,738.41		
2. Distributions to owners (shareholders)										- 19,914,034.70		- 19,914,034.70
3.Others												
(IV) Transfers within owners' equity												
1. Capitalization of capital reserve (or conversion to share capital)												
2. Capitalization of surplus reserve (or conversion to share capital)												
3. Loss offset by surplus reserve												
4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive income												
6.Others												
(V) Special reserve												
1. Transfer to special reserve in the current period												
2. Amount utilized in the current period												
(VI) Others												
IV. Closing balance of the current period	199,172,306.00			62,065,882.53	149,338,218.74	20,924,906.66			26,831,248.95	169,128,005.69		585,610,755.25

Amount in the prior period

In RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the prior year	142,208,000.00				214,388,343.15				19,967,816.33	148,602,346.90		525,166,506.38
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	142,208,000.00				214,388,343.15				19,967,816.33	148,602,346.90		525,166,506.38
III. Changes for the current period (decrease is indicated by "-")	56,932,144.00			62,169,270.38	- 75,900,446.65	20,924,906.66			4,322,694.21	17,573,047.84		44,171,803.12
(I) Total comprehensive income										43,226,942.05		43,226,942.05
(II) Owners' contributions and reduction in capital	48,944.00			62,169,270.38	- 19,017,246.65	20,924,906.66						22,276,061.07
1. Ordinary shares contributed by owners					579,694.10	41,802,048.41						- 41,222,354.31
2.Capital contribution from holders of other equity instruments	48,944.00			- 158,541.60								- 109,597.60
3. Share-based payment recognized in owners' equity					1,280,201.00							1,280,201.00
4. Others				62,327,811.98	- 20,877,141.75	- 20,877,141.75						62,327,811.98
(III) Profit distribution									4,322,694.21	- 25,653,894.21		- 21,331,200.00
1. Transfer to surplus reserve									4,322,694.21	- 4,322,694.21		

2. Distributions to owners (shareholders)										- 21,331,200.00		- 21,331,200.00
3. Others												
(IV) Transfers within owners' equity	56,883,200.00				- 56,883,200.00							
1. Capitalization of capital reserve (or conversion to share capital)	56,883,200.00				- 56,883,200.00							
2. Capitalization of surplus reserve (or conversion to share capital)												
3. Loss offset by surplus reserve												
4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive income												
6.Others												
(V) Special reserve												
1. Transfer to special reserve in the current period												
2. Amount utilized in the current period												
(VI) Others												
IV. Closing balance of the current period	199,140,144.00			62,169,270.38	138,487,896.50	20,924,906.66			24,290,510.54	166,175,394.74		569,338,309.50

III. Basic Information of the Company

Zhejiang Fenglong Electric Co., Ltd. (hereinafter referred to as "the Company") was formerly Shaoxing Fenglong Motor Co., Ltd. (hereinafter referred to as "Fenglong Motor"). Using January 31, 2016 as the reference date, Fenglong Motor was restructured in its entirety into a joint stock company and was registered with the Shaoxing Administration for Market Regulation on April 11, 2016. The Company is headquartered in Shaoxing, Zhejiang Province. The Company currently holds a business license with Unified Social Credit Code 913306047498339794, with registered capital of RMB199.0912 million and total share capital of 199.1723 million shares (par value of RMB1 per share). Of these, restricted tradable shares comprise 19,352,014 A shares, and unrestricted tradable shares comprise 179,820,292 A shares. The Company's shares were listed on the Shenzhen Stock Exchange on April 3, 2018.

The Company operates in the special equipment manufacturing industry. Its principal activities include the research and development, production and sales of garden machinery components, automotive parts and hydraulic components. Major products include key components for garden machinery such as igniters, flywheels and cylinders, precision aluminium die-cast automotive components, and hydraulic components.

These financial statements were approved for issue by the ninth meeting of the Company's third Board of Directors on April 21, 2023.

The Company has included six subsidiaries in the scope of consolidated financial statements for the reporting period: Zhejiang Haolong Electric Co., Ltd., Zhejiang Fenglan Intelligent Manufacturing Co., Ltd., Shaoxing Yicheng Motor Co., Ltd., Fenglong Motors (Hong Kong) Limited, Tuson Precision Machinery (Jiaxing) Co., Ltd. (hereinafter referred to as "Tuson Precision") and Hangzhou Fenglong Technology Co., Ltd. Details are set out in Note VIII Changes in Scope of Consolidation and Note IX Interests in Other Entities.

IV. Basis of Preparation of Financial Statements

1. Basis of preparation

The Company's financial statements are prepared on a going-concern basis.

2. Going-concerning

The Company has detected no events or circumstances that may cast significant doubt upon its ability to continue as a going concern within 12 months from the reporting period.

V. Significant Accounting Policies and Accounting Estimates

Reminders on specific accounting policies and accounting estimates:

Important note: The Company has formulated the specific accounting policies and made the specific accounting estimates with respect to the impairment of financial instruments, depreciation of fixed assets, depreciation of right-of-use assets, amortization of intangible assets, recognition of revenues and other transactions and events according to the actual production and operation characteristics of the Company.

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

The financial statements prepared by the Company conform to 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 related information.

2. Accounting period

The Company's accounting year is from January 1 to December 31 of each calendar year.

3. Operating cycle

The Company has a relatively short operating cycle, and determines the liquidity of assets and liabilities on the basis of 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt RMB as its functional currency, while Fenglong Motors (Hong Kong) Limited, an overseas subsidiary engaged in foreign operations, determines its functional currency based on the currency of the primary economic environment in which it operates.

5. Accounting treatment of business mergers involving entities under common control and business mergers not involving entities under common control

1. Accounting treatment of business merger involving entities under common control

Assets and liabilities that are obtained by the Company in a business merger shall be measured at their carrying values in the consolidated financial statements of the ultimate controller at the merger date as recorded by the acquiree. The difference between the carrying value of the owners' equity of the acquiree as stated in the consolidated financial statements of the ultimate controller and the carrying value of the total consideration paid or total par value of the shares issued in connection with the merger is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

2. Accounting treatment of business mergers not involving entities under common control

Where the cost of the merger exceeds the Company's share of the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill at the date of acquisition. Where the cost of merger is lower than the Company's share of the fair value of the acquiree's identifiable net assets, the Company reviews the measurement of the fair value of each of the identifiable assets, liabilities and provisions acquired from the acquiree and the cost of merger, and if the cost of merger as reviewed is still lower than the Company's share of the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period.

6. Method of preparation of consolidated financial statements

The parent company includes all of its controlled subsidiaries in its consolidated financial statements. The consolidated financial statements are prepared by the parent company in accordance with the Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements, on the basis of the respective financial statements of the parent company and its subsidiaries, by reference to other relevant data.

7. Recognition of cash and cash equivalents

For the purpose of the statement of cash flows, cash comprises cash on hand and demand deposits, and cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and translation of foreign currency financial statements

1. Translation of foreign currency transactions

Upon initial recognition, foreign currency transactions are translated into RMB using the spot exchange rates or approximations thereto at the transaction dates. At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates at the balance sheet date. Translation differences of financial statements denominated in foreign currencies are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets and accrued interest. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates approximating those prevailing at the transaction dates, without adjusting the amounts in RMB. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates prevailing at the dates the fair value was determined, and translation differences of financial statements denominated in foreign currencies are recognized in profit or loss for the current period or other comprehensive income.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet are translated at the spot exchange rates at the balance sheet date. The owners' equity items other than "undistributed profits" are translated at the spot exchange rates at the transaction dates. The income and expense items in the income statements are translated at the spot exchange rates or approximations thereto at the transaction dates. Translation differences of financial statements denominated in foreign currencies are recognized in other comprehensive income.

9. Financial instruments

1. Classification of financial assets and financial liabilities

Upon initial recognition, financial assets are classified into: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss.

Upon initial recognition, financial liabilities are classified into: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred; (3) financial guarantee contracts not falling under items (1) or (2), and loan commitments not falling under item (1) and below market interest rate; and (4) financial liabilities at amortized cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Recognition and initial measurement of financial assets and financial liabilities

When the Company becomes a party to a financial instrument contract, a financial asset or liability is recognized. Financial assets and liabilities are initially measured at fair value. Transaction costs relating to financial assets or liabilities at fair value through profit or loss are directly recognized in profit or loss for the current period. Transaction costs relating to other kinds of financial assets or liabilities are included in their initially recognized amount. However, where accounts receivables that do not contain any significant financing component upon initial recognition, or where the Company does not take into consideration any financing component under contracts with a term of no more than one year, such accounts receivables are initially measured at the transaction price as defined in the Accounting Standards for Business Enterprises No. 14 - Revenue.

(2) Subsequent measurement of financial assets

1) Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Gains or losses on financial assets at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition, reclassification, amortization using the effective interest method or recognition of impairment.

2) Investments in debt instruments at fair value through other comprehensive income

These investments in debt instruments are subsequently measured at fair value. Interest, impairment losses or gains and foreign exchange gains or losses calculated using the effective interest method are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed out from other comprehensive income and included in profit or loss for the current period.

3) Investments in equity instruments at fair value through other comprehensive income

These investments in equity instruments are subsequently measured at fair value. Dividends received (other than those received as recovery of investment cost) are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed out from other comprehensive income and included in retained earnings.

4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently measured at fair value. Gains or losses thereon, including interest and dividend income, are recognized in profit or loss for the current period, except the financial assets belonging to any hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives classified as financial liabilities), and financial liabilities directly designated as at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities designated as at fair value through profit or loss arising out of changes in the Company's credit risk are recognized in other comprehensive income, unless such treatment will result in or increase any accounting mismatch in profit or loss. Other gains or losses on such financial liabilities, including interest expenses and changes in fair value not arising out of changes in the Company's credit risk, are recognized in profit or loss for the current period, except the financial liabilities belonging to any hedging relationship. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed out from other comprehensive income and included in retained earnings.

2) Financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred

Such financial liabilities are measured in accordance with the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

3) Financial guarantee contracts not falling under items 1) or 2) above, and loan commitments not falling under item 1) above and below market interest rate

Such financial liabilities are subsequently measured at the higher of ① provision for impairment losses determined according to the policy for impairment of financial instruments; and ② balance of the initially recognized amount after deduction of the accumulated amortization determined in accordance with Accounting Standards for Business Enterprises No. 14 - Revenue.

4) Financial liabilities at amortized cost

Such financial liabilities are measured at amortized cost using the effective interest method. Gains or losses on financial liabilities at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition or amortization using the effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

① the contractual right to receive cash flows from the financial assets has expired;

② the financial assets have been transferred and such transfer meets the criteria for derecognition of financial assets as set forth in the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

2) A financial liability (or part thereof) is derecognized when all or part of the present obligations thereon have been discharged.

3. Determination and measurement of financial assets transferred

When a financial asset of the Company is transferred, if substantially all the risks and rewards incidental to the ownership of the financial asset have been transferred, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be). If the Company retains substantially all the risks and rewards of ownership of a financial asset, the Company shall not derecognize the financial asset. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the Company shall not derecognize the financial asset. If the Company neither transferred nor retained a substantial portion of all risks and rewards incidental to the ownership of the financial asset, then: (1) if the Company does not retain control over the financial asset, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be); and (2) if the Company retains control over the financial asset, the financial asset continues to be recognized to the extent of the Company's continuing involvement in the financial asset transferred, and a corresponding liability is recognized.

If an entire transfer of a financial asset meets the criteria for derecognition, the difference between (1) the carrying value of the financial asset transferred at the date of derecognition; and (2) the sum of the consideration received from the transfer of the financial asset and the portion of the cumulative amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period. If part of a financial asset is transferred and the part transferred entirely meets the criteria for derecognition, the total carrying value of the financial asset immediately prior to the transfer is allocated between the part derecognized and the part not derecognized in proportion to their relative fair value at the date of transfer, and the difference between (1) the carrying value of the part derecognized and (2) the sum of the consideration received from the transfer of the part derecognized and the portion of the cumulative amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period.

4. Determination of fair value of financial assets and financial liabilities

The Company adopts the valuation techniques applicable to the current situations and with sufficient data available and support of other information to determine the fair value of financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques in the following levels and uses them in turn:

(1) Level 1 inputs: quoted market price (unadjusted) in an active market for an identical asset or liability available at the date of measurement;

(2) Level 2 inputs: inputs other than inputs included within Level 1 that are observable directly or indirectly. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, observable inputs other than quoted prices (such as interest rate and yield curves observable during regular intervals of quotation), and inputs validated by the market;

(3) Level 3 inputs: inputs that are unobservable. This category includes interest rate or stock volatility that cannot be directly observed or validated by observable market data, future cash flows from retirement obligation incurred in business mergers, and financial forecasts made using own data.

5. Impairment of financial instruments

(1) Measurement and accounting treatment of impairment of financial instruments

The Company carries out impairment treatment and determines impairment losses of financial assets at amortized cost, investments in debt instruments at fair value with changes accrued to other comprehensive income, contract assets, lease receivables, loan commitments other than financial liabilities at fair value with changes accrued to current profit or loss, and financial guarantee contracts other than financial liabilities at fair value with changes accrued to current profit or loss and other than financial liabilities arising as a result of the transfer of financial assets that does not meet the criteria for derecognition or that continues being involved in the financial assets transferred, on the basis of expected credit losses.

Expected credit loss is the weighted average of credit losses on financial instruments taking into account the possibility of default. Credit loss is the present value of the difference between all contractual cash flows receivable under the contract and estimated future cash flows discounted at the original effective interest rate, i.e., the present value of all cash shortage, wherein the Company's purchased or originated financial assets that have become credit impaired are discounted at their credit-adjusted effective interest rate.

With respect to purchased or originated financial assets that have become credit impaired, at the balance sheet date, the Company recognizes a loss allowance equal to the cumulative amount of changes in lifetime expected credit losses since initial recognition.

With respect to lease receivables, receivables and contract assets arising from transactions within the scope of Accounting Standards for Business Enterprises No. 14 - Revenue, the Company applies the simplified approach and measures the loss allowance at an amount equal to lifetime expected credit losses.

With respect to financial assets not using the measurement methods stated above, at each balance sheet date, the Company assesses whether the credit risk has increased significantly since initial recognition, and recognizes a loss allowance equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or to the expected credit losses within the next 12 months if the credit risk has not increased significantly since initial recognition.

The Company uses reasonable and supportable information, including forward-looking information, and compares the possibility of default at the balance sheet date with the possibility of default upon initial recognition, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition.

At the balance sheet date, if the Company determines that a financial instrument has low credit risk, the Company assumes that its credit risk has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses of financial instruments individually or collectively. When assessing the portfolio of financial instruments, the Company includes the financial instruments in different groups according to their common risk characteristics.

At each balance sheet date, the Company re-assesses the expected credit losses, with the amount of increase in or reversal of loss allowance recognized in profit or loss for the current period as impairment losses or gains. With respect to a financial asset at amortized cost, its carrying value recorded in the balance sheet is written off against the loss allowance. With respect to an investment in debt instruments at fair value through other comprehensive income, the Company recognizes the loss allowance in other comprehensive income, without reducing its carrying value.

(2) Financial instruments with expected credit risk assessed on a group basis and expected credit loss measured under three-stage model

Item	Basis for grouping	Method for measuring expected credit losses
Other receivables — aging group	Aging	Calculate the expected credit losses according to the default risk exposure and the rate of expected credit loss within the next 12 months or lifetime by reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions
Other receivables — intra-group related party portfolio	Related parties within the scope of the Company's consolidated financial statements	

(3) Accounts receivables and contract assets for which expected credit losses are measured on a collective basis using the simplified approach

1) Specific grouping and method for measuring expected credit losses

Item	Basis for grouping	Method for measuring expected credit losses
Bank acceptance bills receivable	Type of notes	Calculate the expected credit losses according to the default risk exposure and the rate of expected credit loss within lifetime by reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions
Commercial acceptance bills receivable	Aging	
Accounts receivables - grouping by age	Aging	Calculate expected credit losses by reference to historical credit loss experience, and taking into account current conditions and forecasts of future economic conditions, through preparing a comparison table that correlates the aging of account receivables

Item	Basis for grouping	Method for measuring expected credit losses
Contract assets - grouping by age	Aging	with the rate of expected credit loss within lifetime

2) Accounts receivables, contract assets - comparison table of the age of accounts receivables and rate of expected credit loss within lifetime

Aging	Accounts receivables Rate of expected credit loss (%)	Contract assets Rate of expected credit loss (%)
Within 1 year (inclusive, same below)	5	5
1-2 years	10	10
2-3 years	30	30
3-4 years	50	50
Over 4 years	100	100

6. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability shall be offset, and the net amount presented in the balance sheet when both of the following conditions are satisfied: (1) the Company has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (2) the Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred financial asset and the associated liability.

10. Inventories

1. Classification of inventories

Inventories include finished goods or merchandise held by the Company for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

2. Pricing methods of inventories transferred out

Inventories issued are measured using the weighted average method calculated at month-end.

3. Determination of net realizable value of inventories

On the balance sheet date, inventory is measured at the lower of the cost or the net realizable value, and the inventory depreciation reserve is accrued by inventory category for the difference between the cost and the net realizable value. In the normal production and operation process, the net realizable value of inventory directly used for sale is determined by the estimated selling prices of inventory less the estimated selling expenses and related taxes; in the normal production and operation process, the net realizable value of inventory to be processed is determined by the estimated selling prices of finished products less the estimated costs to be incurred upon completion, the estimated selling expenses, and related taxes; on the balance sheet date, if part of the same inventory has contract price agreements, while the other part does not have any, their net realizable values shall be determined respectively, which shall be compared with the corresponding costs, to determine the amount of the inventory depreciation reserve to be accrued or reserved respectively.

4. Inventory systems for inventories

The perpetual inventory system is adopted.

5. Amortization of low-value consumables and packing materials

One-off amortization method shall apply.

6. Turnover materials

Turnover materials are amortized over their benefit periods.

11. Contract assets

Contract assets or contract liabilities are presented in the balance sheet according to the relationship between the relevant performance obligations and payment by the customer. Contract assets and contract liabilities under the same contract are presented on a net basis.

The Company presents as account receivables the unconditional rights (i.e., rights dependent only on the passage of time) to receive consideration from customers, and presents as contract assets the rights to receive consideration in exchange for goods transferred to customers where such rights are dependent on factors other than the passage of time.

The Company presents as contract liabilities the obligations to transfer goods to customers for which consideration has been received or is receivable from customers.

12. Contract costs

Assets related to contract costs include costs to obtain a contract and costs to fulfill a contract.

Incremental costs incurred by the Company to obtain a contract that are expected to be recovered are recognized as an asset as costs to obtain a contract. Where the amortization period for costs to obtain a contract does not exceed one year, such costs are expensed as incurred.

Costs incurred by the Company to fulfill a contract that are not within the scope of other standards such as those for inventories, fixed assets or intangible assets, and that satisfy all of the following conditions, are recognized as an asset as costs to fulfill a contract:

1. The costs relate directly to a current or anticipated contract, including direct labor, direct materials, manufacturing overheads (or similar costs), costs explicitly chargeable to the customer, and other costs incurred solely as a consequence of the contract;

2. The costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future;

3. The costs are expected to be recovered.

The Company amortizes assets related to contract costs on the same basis as the recognition of revenue from the goods or services to which the asset relates, with the amortization charged to profit or loss for the period.

Where the carrying value of an asset related to contract costs exceeds the remaining consideration expected to be received from transferring the goods or services to which the asset relates less the costs expected to be incurred, the Company recognizes an impairment provision for the excess amount as an impairment loss on assets. Where factors that led to impairment in previous periods subsequently change such that the remaining consideration expected to be received from transferring the goods or services to which the asset relates less the costs expected to be incurred exceeds the carrying value of the asset, the previously recognized provision for asset impairment is reversed and credited to profit or loss for the period, provided that the carrying value of the asset after reversal does not exceed what its carrying value would have been at the reversal date had no impairment provision been recognized.

13. Long-term equity investments

1. Judgment criteria of joint control and significant influence

Joint control is the agreed sharing of control over an arrangement, and the decision in relation to the relevant activities of such arrangement may only be made upon the unanimous consent of the parties sharing control. Significant influence is the power of the investing enterprise to participate in the financial and operating policy decisions of an investee, but is not control or joint control with other parties over the establishment of those policies.

2. Determination of investment cost

In case of an equity investment acquired through a business merger involving entities under common control, if the acquirer pays consideration for the business merger by cash, transfer of non-cash assets, assumption of liabilities or issuance of equity securities, the initial investment cost of the long-term equity investment is the Company's share of the carrying value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller at the date of merger. The difference between the initial investment cost of the long-term equity investment and the carrying value of the consideration paid for the merger or the total par value of the shares issued (as applicable) is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

In case of a long-term equity investment acquired through a business merger involving entities under common control and through multiple transactions by steps, the Company judges whether they constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the initial investment cost is the Company's post-merger share of the carrying value of the net assets of the acquiree in the consolidated financial statements of the ultimate controller at the date of merger. The difference between the initial investment cost of the long-term equity investment at the date of merger and the sum of the carrying value of long-term equity investment before the merger and the carrying value of the consideration paid for acquisition of the additional shares at the date of merger is adjusted against the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

(1) In case of an equity investment acquired through a business merger not involving entities under common control, the initial investment cost is the fair value of the consideration paid for the merger at the date of acquisition.

With respect to a long-term equity investment acquired through a business merger not involving entities under common control that is achieved through multiple transactions by steps, the accounting treatment thereof in the separate financial statements is different from that in the consolidated financial statements as stated below:

1) In the separate financial statements, the initial investment cost for which the Company changes to the cost method is the sum of the carrying value of the long-term equity investment originally held and the new investment cost.

2) In the consolidated financial statements, the Company judges whether the transactions constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the Company re-measures the fair value of the equity held in the acquiree prior to the date of acquisition, and records the difference between the fair value and the carrying value as investment income for the current period; if the equity held in the acquiree prior to the date of acquisition involves other comprehensive income under equity method, such other comprehensive income is transferred to the income of the period in which the date of acquisition falls, except for other comprehensive income arising from re-measurement by the investee of changes in net liabilities or net assets of defined benefit plans.

(2) In case of an equity investment not acquired through business merger, the initial investment cost is the purchase price actually paid if it is acquired by cash, or the fair value of the equity securities issued if it is acquired through issuance of equity securities, or is determined in accordance with the Accounting Standards for Business Enterprises No. 12 - Debt Restructuring if it is acquired through debt restructuring, or in accordance with the Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets if it is acquired through exchange of non-monetary assets.

3. Subsequent measurement and recognition of profit or loss

Long-term equity investments in investees are measured using the cost method. Long-term equity investments in associates and joint ventures are measured using the equity method.

4. Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary

(1) Separate financial statements

The difference between the carrying value of the equity disposed of and the proceeds of disposal actually received is recognized in profit or loss for the current period. If the remaining equity empowers the Company to exercise significant influence or joint control over the investees, the remaining equity is accounted for using the equity method; if the remaining equity does not empower the Company to exercise control, joint control or significant influence over the investees, the remaining equity is accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

(2) Consolidated financial statements

1) Disposal of investment in a subsidiary through multiple transactions in stages until loss of control where the transactions do not constitute a package deal

Prior to the loss of control, the difference between the proceeds from disposal and the share owned by the Company in the net assets of the subsidiary in relation to the long-term equity investment disposed of that is calculated continuously from the date of acquisition or merger is adjusted against the capital reserve (capital premium). In case the capital premium is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

When losing control over an original subsidiary, the remaining equity is re-measured at its fair value at the date of loss of control. The sum of the consideration received from the disposal of the equity and the fair value of the remaining equity, net of the share owned by the Company in the net assets of the subsidiary as calculated continuously from the date of acquisition or merger according to the previous shareholding ratio, is recognized in the investment income for the period in which the control is lost, and the goodwill is reduced accordingly. Other comprehensive income relating to the equity investment in the original subsidiary should be transferred to the investment income for the period in which the control is lost.

2) Disposal of investment in a subsidiary through multiple transactions in stages until loss of control where the transactions constitute a package deal

The Company accounts for such transactions as one transaction to dispose of and lose its control over the subsidiary, however, the difference between the proceeds from each disposal before loss of control and the share of the subsidiary's net assets attributable to the equity interest disposed of is recognized in other comprehensive income in consolidated financial statements, which is wholly transferred to the profit or loss in the period in which the control is lost.

14. Fixed assets

(1) Criteria for recognition

Fixed assets are tangible assets held for production of goods, rendering of services, lease or operation and management with a useful life of more than one accounting year. A fixed asset is recognized if the economic benefits relating to it are very likely to flow to the Company and its cost can be reliably measured.

(2) Depreciation

Category	Method of depreciation	Depreciation period (years)	Residual value rate	Annual depreciation rate
Buildings and constructions	Straight line method	20	5	4.75
General equipment	Straight line method	3-5	5	19.00-31.67
Specialized equipment	Straight line method	6-10	5	9.5-15.83
Vehicles	Straight line method	4-5	5	19.00-23.75

15. Construction in progress

1. Construction in progress is recognized when it is probable that economic benefits will flow to the Company and the cost can be measured reliably. Construction in progress is measured at the actual costs incurred up to the date when the asset is ready for its intended use.
2. When construction in progress reaches the state ready for its intended use, it is transferred to fixed assets at the actual cost of the project. Where construction in progress has reached the state ready for its intended use but final accounts have not been completed, it is transferred to fixed assets initially at estimated value and subsequently adjusted to actual cost upon completion of final accounts, without adjustment to depreciation previously provided.

16. Borrowing costs

1. Recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset. The amounts of other borrowing costs incurred are expensed when incurred and included in profit or loss for the current period.

2. Period of capitalization of borrowing costs

(1) A borrowing cost is capitalized when all of the following conditions are satisfied: 1) the expenditures on the asset have already been incurred; 2) the borrowing cost has already been incurred; and 3) the acquisition, construction or production activities necessary to prepare the asset for its intended use or sale have already commenced.

(2) Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The borrowing costs incurred during these periods are recognized as an expense for the current period until the acquisition, construction or production activity is resumed.

(3) When the qualifying asset being acquired, constructed or produced has become ready for its intended use or sale, the capitalization ceases.

3. Rate and amount of capitalization of borrowing costs

If funds are borrowed under a specific-purpose borrowing for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period (including amortized discount or premium determined using the effective interest method) less any interest income earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. If funds are borrowed under general-purpose borrowings and are utilized for the acquisition, construction or production of a qualifying asset, the Company shall determine the amount of interest to be capitalized on such borrowings by multiplying a capitalization rate of the utilized general-purpose borrowings by the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings.

17. Intangible assets

(1) Measurement method, useful life and impairment test

1. Intangible assets, including land use rights, patents and non-patented technology, are initially measured at cost.
2. Intangible assets with finite useful lives are amortized systematically over their useful lives based on the pattern in which the economic benefits associated with the intangible assets are expected to be realized. Where the pattern of realization cannot be reliably determined, the straight-line method is adopted. The specific useful lives are as follows:

Item	Amortization period (years)
Land use rights	50
Software	5-10
Patent technology and trademarks	10

(2) Accounting policy for internal research and development expenditure

Expenditure on the research phase of internal research and development projects is expensed as incurred. Expenditure on the development phase of internal research and development projects is recognized as an intangible asset when all of the following conditions are satisfied: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is an intention to complete the intangible asset and use or sell it; (3) the manner in which the intangible asset will generate economic benefits can be demonstrated, including the ability to demonstrate that there is a market for the output to be produced using the intangible asset or for the intangible asset itself, or, where the intangible asset is to be used internally, its usefulness can be demonstrated; (4) adequate technical, financial and other resources are available to complete the development of the intangible asset and the ability exists to use or sell the intangible asset; and (5) expenditure attributable to the development phase of the intangible asset can be measured reliably.

18. Impairment of long-term assets

With respect to long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with a finite useful life, and other long-term assets, if there is an indication of impairment at the balance sheet date, the Company assesses their recoverable amount. Goodwill arising from a business merger and an intangible asset with an indefinite useful life are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, goodwill is considered together with the related asset groups or sets of asset groups.

If the recoverable amount of the long-term asset above is lower than its carrying value, the difference is measured as provision for asset impairment and recognized in profit or loss for the current period.

19. Long-term prepaid expenses

Long-term prepaid expenses are expenses that have already been incurred but should be amortized over a period of more than one year (exclusive). Long-term prepaid expenses are stated as incurred and are amortized evenly by stages within the benefit period or specified period. If an item of long-term prepaid expenses will not benefit the subsequent periods, the amortized value of the item that has not yet been amortized is wholly transferred to profit or loss for the current period.

20. Contract liabilities

The Company presents the contract assets or liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company lists the net contract assets and liabilities under the same contract after offset.

The Company presents as accounts receivables the unconditional rights (i.e., rights dependent only on the passage of time) to receive consideration from customers, and presents as contract assets the rights to receive consideration in exchange for goods transferred to customers where such rights are dependent on factors other than the passage of time.

The Company presents as contract liabilities the obligations to transfer goods to customers for which consideration has been received or is receivable from customers.

21. Employee benefits

(1) Accounting treatment of short-term employee benefits

The Company recognizes the short-term benefits actually incurred during the accounting period when the employees provide services for the Company as liabilities, and include the same in profit or loss for the current period or as part of the cost of related assets.

(2) Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

(1) The Company recognizes the contributions payable as calculated based on the defined contribution plan during the accounting period when the employees provide services for the Company as liabilities, and include the same in profit or loss for the current period or as part of the cost of related assets.

(2) The accounting treatment of a defined benefit plan generally involves the following steps:

1) According to the projected unit credit method, use the unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, measure the obligation arising from the defined benefit plan and determine the period to which the relevant obligation belongs. Meanwhile, discount the obligation arising from the defined benefit plan, in order to determine the present value of the benefit plan obligation and the current service cost;

2) If the defined benefit plan has assets, the deficit or surplus resulting after reducing the present value of the defined benefit plan obligation by the fair value of the assets is recognized as a net liability or asset of the defined benefit plan. If the defined benefit plan has a surplus, the net assets of the defined benefit plan are measured at the lower of surplus in the defined benefit plan and asset ceiling;

3) At the end of the reporting period, the cost of employee benefits arising from the defined benefit plan is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, and changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan, wherein the service cost and the net interest on the net liabilities or net assets of the defined benefit plan are included in profit or loss for the current period or the cost of related assets, and the changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, which will not be converted back to profit or loss in subsequent periods, but those recognized as other comprehensive income may be transferred within the scope of equity.

(3) Accounting treatment of termination benefits

The Company recognizes the employment compensation liabilities generated by termination benefits and records them into the profit or loss for the current period at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the termination benefits provided as a result of the labor relationship termination plan or layoff proposal; or (2) when the Company recognizes the costs or expenses related to the restructuring of the termination benefits payment.

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

Other long-term employee benefits are accounted for in accordance with the provisions applicable to defined contribution plans if they are qualified as defined contribution plans, otherwise, are accounted for in accordance with the provisions applicable to defined benefit plans. In order to simplify the accounting treatment, the total net amount of the cost of employee benefits arising from the defined benefit plans that is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan and other components is included in profit or loss for the current period or the cost of related assets.

22. Estimated liabilities

1. An obligation arising from any external guarantee, litigation, product quality warranty, onerous contract or other contingencies is recognized as an estimated liability if it is a present obligation assumed by the Company, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured.

2. Estimated liabilities are initially measured according to the best estimates of the expenditures required to settle the related present obligations. The carrying value of provisions is reviewed at the balance sheet date.

23. Share-based payment

1. Category of share-based payment

Share-based payment includes equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment related to the implementation, modification and termination of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment transactions with employees that vest immediately upon grant, the fair value of the equity instruments at the grant date is recognized in the relevant costs or expenses with a corresponding adjustment to capital reserve. For equity-settled share-based payment transactions with employees that vest upon completion of service during the vesting period or achievement of specified performance conditions, at each balance sheet date during the vesting period, the services obtained during the period are recognized in the relevant costs or expenses at the fair value of the equity instruments at the grant date based on the best estimate of the number of equity instruments expected to vest, with a corresponding adjustment to capital reserve.

For equity-settled share-based payment transactions in exchange for services from parties other than employees, if the fair value of the services from other parties can be measured reliably, it is measured at the fair value of such services at the date the services are obtained; if the fair value of the services from other parties cannot be measured reliably but the fair value of the equity instruments can be measured reliably, it is measured at the fair value of the equity instruments at the date the services are obtained and recognized in the relevant costs or expenses with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees that vest immediately upon grant, the fair value of the liability assumed by the Company at the grant date is recognized in the relevant costs or expenses with a corresponding increase in liabilities. For cash-settled share-based payment transactions with employees that vest upon completion of service during the vesting period or achievement of specified performance conditions, at each balance sheet date during the vesting period, the services obtained during the period are recognized in the relevant costs or expenses and corresponding liabilities at the fair value of the liability assumed by the Company based on the best estimate of the vesting conditions.

(3) Modification and termination of share-based payment plans

If a modification increases the fair value of the equity instruments granted, the Company recognizes correspondingly the increase in services received based on the increase in the fair value of the equity instruments; if a modification increases the number of equity instruments granted, the Company recognizes correspondingly the fair value of the additional equity instruments as an increase in services received; if the Company modifies the vesting conditions in a manner that is beneficial to employees, the Company takes into account the modified vesting conditions when considering the vesting conditions.

If a modification decreases the fair value of the equity instruments granted, the Company continues to recognize the amount of services received based on the fair value of the equity instruments at the grant date without taking into account the decrease in fair value of the equity instruments; if a modification decreases the number of equity instruments granted, the Company treats the decrease as a cancellation of the equity instruments granted; if the vesting conditions are modified in a manner that is not beneficial to employees, the modified vesting conditions are not taken into account when considering the vesting conditions.

If the Company cancels or settles the equity instruments granted during the vesting period (other than those cancelled due to failure to satisfy vesting conditions), the cancellation or settlement is treated as an acceleration of vesting, and the amount that would otherwise have been recognized over the remainder of the vesting period is recognized immediately.

24. Other financial instruments such as preference shares and perpetual bonds

In accordance with the relevant standards for financial instruments, for convertible bonds issued, the Company classifies such financial instruments or their component parts as financial assets, financial liabilities or equity instruments at initial recognition based on the substance of the contractual arrangements of the financial instruments issued and their economic substance rather than merely their legal form, in combination with the definitions of financial assets, financial liabilities and equity instruments.

On the balance sheet date, for financial instruments classified as equity instruments, their interest expense or dividend distribution is treated as profit distribution of the Company, and their repurchase, cancellation, etc. are treated as changes in equity; for financial instruments classified as financial liabilities, their interest expense or dividend distribution is treated as borrowing costs, and gains or losses arising from their repurchase or redemption are recognized in profit or loss for the period.

25. Revenue

Accounting policies adopted for the recognition and measurement of revenues

1. Revenue recognition

At the inception of the contract, the Company evaluates the contract, identifies each single performance obligation contained therein and determines whether each single performance obligation is performed over time or at a point in time.

When meeting one of the following criteria, it belongs to the obligation performed over time, otherwise it constitutes the obligation performed at a point in time: (1) the customer obtains and consumes the economic benefits generated by the Company's performance when the Company performs the contract; (2) the customer can control the products under construction in the process of the Company's performance; (3) the products produced in the process of the Company's performance have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance that has been completed up to date throughout the term of the contract.

For the obligation performed over time, the Company recognizes the revenue based on the performance progress over time. When the performance progress cannot be reasonably determined, and the costs incurred are expected to be recoverable, revenue is recognized to the extent of costs incurred until the performance progress can be reasonably determined. For the obligation performed at a point in time, the revenue is recognized at the time point when the customer obtains the control of the related goods or services. When judging whether the customer has obtained the control of goods, the Company considers the following signs: (1) the Company has the current right to receive payment for such goods, that is, the customer has the current obligation to make payment for such goods; (2) the Company has transferred the legal ownership of such goods to the customer, that is, the customer has the legal ownership of such goods; (3) the Company has transferred such goods to the customer physically, that is, the customer has taken possession of such goods physically; (4) the Company has transferred major risks and rewards of such goods to the customer, that is, the customer has obtained major risks and rewards of such goods; (5) the customer has accepted such goods; and (6) other signs that the customer has obtained control of such goods.

2. Revenue measurement

(1) The Company measures revenue based on the transaction price allocated to each single performance obligation. The transaction price is the amount of consideration to which the Company is entitled arising from the transfer of goods or services to the customer, excluding the amount collected on behalf of a third party and expected to be returned to the customer.

(2) If there is variable consideration in the contract, the Company determines the best estimate of the variable consideration based on the expected value or the most likely amount. However, variable consideration is included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal of accumulatively recognized revenue in the future when the uncertainty has been subsequently resolved.

(3) If there is a major financing component in the contract, the Company determines the transaction price based on the presumed amount payable in cash when the customer obtains the control of goods or services. The difference between that transaction price and the contract consideration is amortized over the period of the contract using the effective interest method. If at the inception of the contract, the Company expects that the customer's acquisition of control of goods or services is not more than one year from the customer's payment therefor, the major financing component in the contract will not be considered.

(4) If the contract has two or multiple performance obligations, the Company allocates the transaction price to each single performance obligation in the contract by reference to relative standalone selling prices of goods promised thereby.

3. Specific methods for revenue recognition

(1) Export sales

1) Primary export sales model: The Company enters into sales orders with customers with delivery terms generally on an FOB (Free on Board) or DAP (Delivered at Place) basis, and engages third parties to handle customs declaration for export. Under FOB terms, revenue from export sales is recognized at the time of customs declaration and obtaining the bill of lading, with the corresponding product costs recognized concurrently; under DAP terms, revenue from export sales is recognized upon receipt of the confirmation issued by the customer after goods receipt and acceptance, with the corresponding product costs carried forward concurrently.

2) Vendor-managed inventory export sales model: Certain customers implement zero inventory management, and such customers settle with the Company based on actual monthly usage. The Company recognizes revenue based on the settlement statements issued by the customers, with the corresponding product costs carried forward concurrently.

(2) Domestic sales

1) Primary domestic sales model: The Company delivers products to locations designated by customers in accordance with the agreements, the customers are responsible for receipt and acceptance of the products, and regular reconciliations and settlements are conducted with the Company (typically monthly). The Company recognizes revenue based on the reconciliation, with the corresponding product costs recognized concurrently.

2) Vendor-managed inventory domestic sales model: Certain customers implement zero inventory management, and such customers settle with the Company based on actual monthly usage. The Company recognizes revenue based on the settlement statements, with the corresponding product costs recognized concurrently.

Difference in the accounting policy for revenue recognition arising from adoption of different modes of operation for the same kind of business

N/A.

26. Government grants

1. Government grants are recognized if (1) the Company meets the conditions attached to the government grants; and (2) the Company will receive the government grants. If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount.

2. Determination and accounting treatment of government grants related to assets

Government grants related to assets are government grants which are offered for purchasing, constructing or otherwise acquiring long-term assets as provided by the applicable government documents, or in the absence of such express provision in the applicable government documents, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire long-term assets. The government grants related to assets are offset against the carrying value of the related assets or recognized as deferred income. Government grants related to assets recognized as deferred income are included in profit or loss over the useful life of the relevant assets on a reasonable and systemic basis. Government grants measured at nominal amount are directly recognized in profit or loss for the current period. In case of sale, transfer, retirement or damage of the relevant assets before the end of useful life, the balance of the unallocated deferred income is transferred to profit or loss for the period in which the assets are disposed of.

3. Determination and accounting treatment of government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to both assets and income in which it is difficult to make a distinction between the portion related to assets and the portion related to income are wholly classified as government grants related to income. Government grants related to income as compensation for expenses or losses to be incurred in subsequent periods are recognized as deferred income and in the period for recognizing the relevant costs, expenses or losses, included in profit or loss for the current period or offset against the relevant costs. Government grants related to income as compensation for expenses or losses already incurred are directly included in profit or loss for the current period or offset against the relevant costs.

4. Government grants related to day-to-day operations of the Company are recognized in other income or offset against the relevant costs and expenses depending on the nature of economic business. Government grants not related to day-to-day operations of the Company are recognized in non-operating revenues or expenses.

5. Accounting treatment of policy preferential loans and interest subsidies

(1) If the Ministry of Finance appropriates the interest subsidies to the lending bank, and then the lending bank offers a loan to the Company at the policy-based preferential interest rate, the Company recognizes the loan amount actually received as the recorded amount of the loan, and calculates the borrowing costs according to the loan principal and such policy-based preferential interest rate.

(2) If the Ministry of Finance directly appropriates the interest subsidies to the Company, the Company offsets the corresponding interest subsidy against the related borrowing costs.

27. Deferred tax assets / deferred tax liabilities

1. The difference between the tax base of an asset or liability and its carrying value (or in case of an item not recognized as asset or liability whose tax base can be determined according to the applicable tax law, the difference between its tax base and carrying value), is recognized as a deferred tax asset or deferred tax liability according to the tax rate applicable to the period in which the asset or liability is expected to be recovered or settled.

2. Deferred income tax assets are recognized to the extent of the amount of taxable income that will be available in future periods against which deductible temporary differences are deductible. At the balance sheet date, deferred tax assets not recognized in prior periods are recognized if there is conclusive evidence that it is probable that sufficient taxable income will be available in future periods against which the deductible temporary differences are deductible.

3. At the balance sheet date, the carrying value of a deferred tax asset is reviewed. The Company reduces the carrying value of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of the deferred tax asset to be utilized. Any such reduction in amount is reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. Current and deferred tax of the Company is recognized as income or an expense and included in profit or loss for the current period, except to the extent that the tax arises from: (1) business merger; or (2) a transaction or event which is recognized directly in owner's equity.

28. Lease

(1) Accounting treatment for operating leases

1. The Company as lessee

At the commencement date of the lease term, the Company recognizes a lease with a lease term not more than 12 months that includes no purchase option as short-term lease; and a lease at lower value when the individually leased asset is brand-new as low-value asset lease. If the Company subleases or expects to sublease the leased assets, the original lease is not recognized as a low-value asset lease.

For all short-term lease and low-value asset lease, the Company recognizes the lease payments in the cost of related assets or profit or loss for the current period on a straight-line basis over the term of the relevant lease.

Except the above short-term leases and low-value asset leases subject to simplified treatment, the Company recognizes the right of use assets and lease liabilities on the lease at the commencement date of the lease period.

(1) Right of use assets

The right of use asset is initially measured at cost, which includes: 1) the initially measured amount of the lease liability; 2) the lease payments made on or before the commencement date of the lease term less the amount related to lease incentives (if any); 3) the initial direct costs incurred by the lessee; 4) the costs that the lessee expects to incur in order to dismantle and remove the leased asset, restore the site where the leased asset locates, or restore the leased asset to the condition agreed upon in the lease terms.

The Company depreciates the right of use asset on a straight-line basis. If it reasonably ensures that ownership of the leased assets will be obtained at the expiry of the lease term, the Company will depreciate the leased assets over their remaining useful lives. If not, the Company will depreciate the leased asset over the shorter of the lease term or the remaining useful life of the leased asset.

(2) Lease liabilities

At the commence date of the lease term, the Company recognizes the present value of the outstanding lease payments as a lease liability. When calculating the present value of lease payments, the interest rate in the lease is determined as the discount rate. If the interest rate in the lease is unavailable, the Company's incremental borrowing rate is determined as the discount rate. The difference between the lease payments and their present value is recognized as an unrecognized financing expense, with interest expenses recognized at the discount rate used to recognize the present value of the lease payments and charged to profit or loss for the current period over the term of the relevant lease. The variable lease payments not measured as the lease liability are recognized in profit or loss when they are actually incurred.

After the commencement date of the lease term, when there is a change in the substantive fixed payments, the expected amount payable for the guaranteed residual value, the index or rate used to determine the lease payments, or the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Company will remeasure the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right of use asset accordingly. If the carrying amount of the right of use asset has been reduced to nil but the lease liability still needs to be further reduced, the remaining amount will be recognized in profit or loss for the current period.

2. The Company as lessor

The Company recognizes lease receipts as rental income on a straight-line basis over the term of the relevant lease, with initial direct costs incurred capitalized and apportioned on the same basis of recognizing rental income to include in profit or loss for the current period separately. Variable lease payments obtained by the Company relevant to operating leases that are not included in the lease receipts are recognized in profit or loss for the current period when they are actually incurred.

(2) Accounting treatment for finance leases

1. The Company as lessee

At the commence date of the lease term, the Company identifies as short-term leases those leases that have a lease term of 12 months or less and do not contain a purchase option, and identifies as low-value asset leases those leases for which the underlying asset is of low value when new. Where the Company subleases or expects to sublease a leased asset, the original lease is not identified as a low-value asset lease.

For all short-term leases and low-value asset leases, the Company recognizes the lease payments as costs of related assets or expenses in profit or loss on a straight-line basis over the lease term.

Except for the short-term leases and low-value asset leases accounted for by applying the above simplified approach, at the commencement date of a lease, the Company recognizes a right-of-use asset and a lease liability for the lease.

(1) Right-of-use assets

The right of use asset is initially measured at cost, which includes: 1) the initially measured amount of the lease liability; 2) the lease payments made on or before the commencement date of the lease term less the amount related to lease incentives (if any); 3) the initial direct costs incurred by the lessee; 4) the costs that the lessee expects to incur in order to dismantle and remove the leased asset, restore the site where the leased asset locates, or restore the leased asset to the condition agreed upon in the lease terms.

The Company depreciates the right of use asset on a straight-line basis. If it reasonably ensures that ownership of the leased assets will be obtained at the expiry of the lease term, the Company will depreciate the leased assets over their remaining useful lives. If not, the Company will depreciate the leased asset over the shorter of the lease term or the remaining useful life of the leased asset.

(2) Lease liabilities

At the commence date of the lease term, the Company recognizes the present value of the outstanding lease payments as a lease liability. When calculating the present value of lease payments, the interest rate in the lease is determined as the discount rate. If the interest rate in the lease is unavailable, the Company's incremental borrowing rate is determined as the discount rate. The difference between the lease payments and their present value is recognized as an unrecognized financing expense, with interest expenses recognized at the discount rate used to recognize the present value of the lease payments and charged to profit or loss for the current period over the term of the relevant lease. The variable lease payments not measured as the lease liability are recognized in profit or loss when they are actually incurred.

After the commencement date of the lease term, when there is a change in the substantive fixed payments, the expected amount payable for the guaranteed residual value, the index or rate used to determine the lease payments, or the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Company will remeasure the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right of use asset accordingly. If the carrying amount of the right of use asset has been reduced to nil but the lease liability still needs to be further reduced, the remaining amount will be recognized in profit or loss for the current period.

2. The Company as lessor

At the commence date of the lease term, the Company recognizes the finance lease payments receivable in accordance with the net lease investment (sum of the unguaranteed balance and the lease payment not received on the commencement date of the lease period based on the present value discounted at the inherent interest rate of the lease), and derecognizes the finance lease assets. At each phase of the lease period, the Company calculates and recognizes the interest income at the inherent interest rate of the lease.

The amount of variable lease payments obtained by the Company that are not accrued to the measurement of net lease investment is accrued to the current profit or loss when actually incurred.

29. Other significant accounting policies and accounting estimates

Accounting treatment related to repurchase of the Company's shares

When the Company repurchases its own shares for reasons such as reducing registered capital or rewarding employees, the actual amount paid is treated as treasury shares, with concurrent memorandum records maintained. If the repurchased shares are cancelled, the difference between the total par value of the shares calculated based on the par value and number of shares cancelled and the actual amount paid for the repurchase is charged against capital reserve, and to the extent that capital reserve is insufficient, it is charged against retained earnings; if the repurchased shares are awarded to the Company's employees as equity-settled share-based payment, upon receipt of the consideration when employees exercise their rights to purchase the Company's shares, the cost of treasury shares delivered to employees and the cumulative amount of capital reserve (other capital reserve) during the vesting period are reversed, and capital reserve (share premium) is adjusted accordingly for the difference.

30. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☑Applicable ☐N/A

Content and reasons for change in accounting policy	Approval procedures	Remark
On January 26, 2021, the Ministry of Finance issued the Interpretation No. 14 of Accounting Standards for Business Enterprises. On December 31, 2021, the Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises. This change in accounting policy does not require retrospective adjustment to prior years and will not have an impact on the current financial statements.	Approved at the 21st meeting of the second session of the Board of Directors and the 21st meeting of the second session of the Board of Supervisors on April 21, 2022	

1. The Company adopted the provisions of the Ministry of Finance's Interpretation No. 15 of Accounting Standards for Business Enterprises "Accounting Treatment for Sales of Products or By-products Produced Before Fixed Assets Reach Their Intended Use or During the Research and Development Process" from January 1, 2022. This change in accounting policy has no impact on the Company's financial statements.

2. The Company adopted the provisions of the Ministry of Finance's Interpretation No. 15 of Accounting Standards for Business Enterprises "Determination of Onerous Contracts" from January 1, 2022. This change in accounting policy has no impact on the Company's financial statements.

3. The Company adopted the provisions of the Ministry of Finance's Interpretation No. 16 of Accounting Standards for Business Enterprises "Accounting Treatment for Income Tax Effects of Dividends on Financial Instruments Classified as Equity Instruments by the Issuer" from November 30, 2022. This change in accounting policy has no impact on the Company's financial statements.

4. The Company adopted the provisions of the Ministry of Finance's Interpretation No. 16 of Accounting Standards for Business Enterprises "Accounting Treatment for Modification of Cash-settled Share-based Payment to Equity-settled Share-based Payment" from November 30, 2022. This change in accounting policy has no impact on the Company's financial statements.

(2) Changes in significant accounting estimates

☐Applicable ☑N/A

VI. Taxes

1. Major categories of taxes and tax rates

Tax type	Taxation basis	Tax rate
VAT	VAT payable is the output tax based on the sale of goods and taxable labor income calculated pursuant to the tax law, net of the input tax that is allowed to be deducted in the current period	13%, 9%
Urban maintenance and construction tax	Actually paid turnover tax	5%, 7%
Enterprise income tax	Taxable income	15%, 16.5%, 25%
Property tax	If it is levied on an ad valorem basis, the tax is calculated as 1.2% of the remaining value after deducting 30% of the original value of the property; if it is levied subject to rent, the tax is calculated as 12% of the rental income	1.2%, 12%
Education surcharges	Actually paid turnover tax	3%
Local education surcharges	Actually paid turnover tax	2%

Disclosure of taxpayers with different rates of enterprise income tax

Taxpayer	Rate of income tax
The Company	15%
Zhejiang Haolong Electric Co., Ltd.	15%
Tuson Precision	15%
Fenglong Motors (Hong Kong) Limited	16.5%
Other taxpayers not listed above	25%

2. Tax incentives

1. Export goods are subject to the VAT "exemption, credit and refund" policy. The Company's export VAT refund rates are 13% and 10%.
2. Tax incentives for high and new technology enterprises

Name of company	Date of high and new technology enterprise qualification recognition	Validity period	High-tech enterprise certificate number	Applicable tax rate
The Company	2021	2021-2023	GR202133009277	15%
Zhejiang Haolong Electric Co., Ltd.	2021	2021-2023	GR202133005923	15%
Tuson Precision	2022	2022-2024	GR202233002714	15%

VII. Notes to Items in the Consolidated Financial Statements

1. Cash at bank and on hand

In RMB

Item	Closing balance	Opening balance
Cash on hand	101,417.98	271,096.10
Bank deposits	161,432,117.94	128,044,353.98
Other monetary funds	6,872,487.29	6,549,294.00
Total	168,406,023.21	134,864,744.08
Incl.: Total amount of funds deposited overseas	1,705,861.76	1,655,990.21
Total amount of funds restricted due to pledge, mortgage, freezing, etc.	3,868,894.99	6,351,342.41

Other information:

Description of restricted funds

Item	Closing balance	Opening balance
Margin for bank acceptance bills	3,868,894.99	6,351,342.41
Sub-total	3,868,894.99	6,351,342.41

2. Financial assets held for trading

In RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	129,391,836.06	238,000,000.00
Incl.:		
Wealth management products	127,999,000.00	238,000,000.00
Derivative financial assets	1,392,836.06	
Incl.:		
Total	129,391,836.06	238,000,000.00

Other information:

Details of wealth management products

Counterparty	Product name	Closing balance	Expected annualized return (%)
Hualong Securities Co., Ltd.	Hualong Securities Jinzhihui Income Certificate 180-day Issue 342	40,000,000.00	3.55
Guosheng Securities Co., Ltd.	Guosheng Securities Income Certificate - Guosheng Income No. 736	35,000,000.00	3.00
Caitong Securities Co., Ltd.	Caitong Securities Caihuitong No. 760 Income Certificate	10,000,000.00	2.80
Huaan Securities Co., Ltd.	Quarterly Win No. 10	4,000,000.00	5.30
Huaan Securities Co., Ltd.	Quarterly Win No. 10	5,000,000.00	5.50
Huaan Securities Co., Ltd.	Premium Monthly Win No. 3	18,000,000.00	4.70
Huaan Securities Co., Ltd.	Reverse Repo of Treasury Bonds (purchased on December 19, 2022)	5,999,000.00	3.63
Huaan Securities Co., Ltd.	Reverse Repo of Treasury Bonds (purchased on December 19, 2022)	2,000,000.00	3.61
Huaan Securities Co., Ltd.	Reverse Repo of Treasury Bonds (purchased on December 23, 2022)	4,000,000.00	4.19
Huaan Securities Co., Ltd.	Reverse Repo of Treasury Bonds (purchased on December 23, 2022)	4,000,000.00	4.20

Sub-total		127,999,000.00	

3. Notes receivable

(1) Presentation of notes receivable by category

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills		1,436,362.06
Total		1,436,362.06

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl.:										
Notes receivable for which the provision for bad debts were made by group						1,436,362.06	100.00%			1,436,362.06
Incl.:										
Bank acceptance bills						1,436,362.06	100.00%			1,436,362.06
Total						1,436,362.06	100.00%			1,436,362.06

If the provision for bad debts on notes receivable is made in accordance with the general model of expected credit loss, please disclose relevant information on the provision for bad debts by reference to the disclosure method for other receivables:
☐Applicable☑N/A

4. Accounts receivables

(1) Presentation of Accounts receivables by category

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl.:										
Accounts receivables for which the provision for bad debts were made by group	124,480,739.82	100.00%	6,224,342.55	5.00%	118,256,397.27	185,913,140.62	100.00%	9,493,871.40	5.11%	176,419,269.22
Incl.:										
Aging group	124,480,739.82	100.00%	6,224,342.55	5.00%	118,256,397.27	185,913,140.62	100.00%	9,493,871.40	5.11%	176,419,269.22
Total	124,480,739.82	100.00%	6,224,342.55	5.00%	118,256,397.27	185,913,140.62	100.00%	9,493,871.40	5.11%	176,419,269.22

Provisions for bad debts made by group: Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	124,474,628.82	6,223,731.45	5.00%
1-2 years	6,111.00	611.10	10.00%
Total	124,480,739.82	6,224,342.55	

Description of basis for determining the group:

If the provision for bad debts on Accounts receivables is made in accordance with the general model of expected credit loss, please disclose relevant information on the provision for bad debts by reference to the disclosure method for other receivables:

☐Applicable☑N/A

Disclosure by aging

In RMB

Aging	Book balance
Within 1 year (inclusive)	124,474,628.82
1-2 years	6,111.00
Total	124,480,739.82

(2) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts made by group	9,493,871.40	- 3,269,528.85				6,224,342.55
Total	9,493,871.40	- 3,269,528.85				6,224,342.55

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Method of recovery

(3) Accounts receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant Accounts receivables that are written off:

In RMB

Entity	Nature of Accounts receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of write-off of Accounts receivables:

No significant Accounts receivables was written off in the current period.

(4) Top five closing balances of Accounts receivables and contract assets categorized by debtor

In RMB

Entity	Closing balance of Accounts receivables	Proportion of total closing balance of Accounts receivables	Closing balance of bad debt provision
Caterpillar	32,390,266.19	26.02%	1,619,513.31
Xi'An FC Intelligence Transmission Co, Ltd	11,597,405.83	9.32%	579,870.29
Global Sales Group	10,442,954.42	8.39%	522,147.72
Husqvarna Forestry Products	10,341,147.08	8.31%	517,057.35
Dayco	8,282,827.87	6.65%	414,141.39
Total	73,054,601.39	58.69%	

(5) Assets and liabilities arising from transfer of Accounts receivables with continuing involvement

None

Other information:

(6) Accounts receivables derecognized due to transfer of financial assets

None

5. Financing receivables

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills	23,886,005.90	20,022,709.52
Total	23,886,005.90	20,022,709.52

Changes in Financing receivables during the current period and changes in fair value

☐Applicable ☑N/A

If impairment provisions for Financing receivables are made using the general model of expected credit loss, disclose the relevant information on impairment provisions in accordance with the disclosure approach for other receivables:

☐Applicable ☑N/A

Other information:

(1) Notes receivable pledged at period end

Item	Amount pledged at period end
Bank acceptance bills	5,738,266.32
Sub-total	5,738,266.32

(2) Notes receivable endorsed or discounted and not yet matured at the balance sheet date

Item	Amount derecognized at period end

Bank acceptance bills	16,287,398.60
Sub-total	16,287,398.60

The acceptors of bank acceptance bills are commercial banks. As commercial banks have high credit standing, the possibility of bank acceptance bills being dishonored at maturity is low. Therefore, the Company derecognizes bank acceptance bills that have been endorsed or discounted. However, if such bills are dishonored at maturity, in accordance with the Negotiable Instruments Law, the Company will remain jointly and severally liable to the holder.

6. Prepayments

(1) Presentation of prepayments by aging

In RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	6,537,685.60	90.32%	14,605,207.34	94.10%
1-2 years	517,872.86	7.15%	815,667.42	5.25%
2-3 years	154,549.31	2.14%	1,525.00	0.01%
Over 3 years	28,000.00	0.39%	99,250.00	0.64%
Total	7,238,107.77		15,521,649.76	

Reasons for overdue settlement of prepayments with significant amounts and aged more than 1 year:

No significant prepayments aged over 1 year remained outstanding at period end.

(2) Top five closing balances of prepayments categorized by receivers

Entity	Book balance	Proportion to total prepayments (%)
Ningbo Beilun Huiteng Mold Co., Ltd.	1,609,100.00	22.23
Ningbo Shouzheng Magnetic & Electric Co., Ltd.	791,808.40	10.94
Ningbo Chenhong Mold Machinery Co., Ltd.	766,900.00	10.60
Guizhou Huiqun Trading Co., Ltd.	539,640.00	7.46
Zhejiang Fulaite New Materials Co., Ltd.	343,554.36	4.75
Sub-total	4,051,002.76	55.98

Other information:

7. Other receivables

In RMB

Item	Closing balance	Opening balance
Other receivables	1,293,286.20	3,155,658.75
Total	1,293,286.20	3,155,658.75

(1) Other receivables

1) Category of other receivables by nature

In RMB

Nature	Closing book balance	Opening book balance
Export VAT refund receivable	576,878.44	1,016,580.29
Petty cash and others	507,712.42	433,918.40
Security deposit	306,050.00	3,315,430.00
Total	1,390,640.86	4,765,928.69

2) Provision for bad debts

In RMB

Provisions for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2022	76,109.94	4,590.00	1,529,570.00	1,610,269.94
Balance as at January 1, 2022 in the current period				
- Transferred to Stage II	-24,234.12	24,234.12		
- Transferred to Stage III		-1,200.00	1,200.00	
Current provision	-7,219.40	20,844.12	-1,526,540.00	-1,512,915.28
Balance as at December 31, 2022	44,656.42	48,468.24	4,230.00	97,354.66

Significant changes in book balance where loss provisions changed materially during the current period

☐Applicable ☑N/A

Disclosure by aging

In RMB

Aging	Book balance
Within 1 year (inclusive)	893,128.44
1-2 years	484,682.42
2-3 years	12,000.00
Over 3 years	830.00
3-4 years	400.00
4-5 years	400.00
Over 5 years	30.00
Total	1,390,640.86

3) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period	Closing balance

		Provision	Recovery or reversal	Write-off	Others	
Aging group	1,610,269.94	- 1,512,915.28				97,354.66
Total	1,610,269.94	- 1,512,915.28				97,354.66

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Method of recovery

4) Other receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant other receivables that are written off:

In RMB

Entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of write-off of other receivables:

No significant other receivables was written off in the current period.

5) Top five closing balances of other receivables categorized by debtor

In RMB

Entity	Nature of other receivables	Closing balance	Aging	Proportion of total closing balance of other receivables	Closing balance of provisions for bad debts
State Treasury of the People's Republic of China, Shangyu District Sub-treasury, Shaoxing	Export VAT refund	576,878.44	Within 1 year	41.48%	28,843.92
Li Jin (employee)	Petty cash	220,000.00	1-2 years	15.82%	22,000.00
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch	Suspense payments receivable	199,682.42	1-2 years	14.36%	19,968.24
Zhejiang Zhongjian Technology Co., Ltd.	Security deposit	105,000.00	Within 1 year	7.55%	5,250.00
Sheng Zhubing (employee)	Petty cash	75,000.00	Within 1 year	5.39%	3,750.00
Total		1,176,560.86		84.61%	79,812.16

6) Receivables related to government grants

In RMB

Entity	Name of government grant item	Closing balance	Aging at period end	Expected time of collection, amount and basis

None

7) Other receivables derecognized due to transfer of financial assets

None

8) Assets and liabilities arising from transfer of other receivables with continuing involvement

None

Other information:

8. Inventories

Did the Company need to comply with the disclosure requirements on the real estate industry?

No

(1) Categories of inventories

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value
Raw materials	67,628,537.48	2,988,457.25	64,640,080.23	84,463,763.54	732,968.70	83,730,794.84
Work in process	23,869,075.94		23,869,075.94	26,896,721.81		26,896,721.81
Goods on hand	65,258,244.32	1,085,624.50	64,172,619.82	84,642,292.35	210,111.71	84,432,180.64
Turnover materials	6,907,587.12	388,930.21	6,518,656.91	8,329,873.10		8,329,873.10
Goods upon delivery	13,277,503.46		13,277,503.46	14,586,515.41		14,586,515.41
Work in process held by subcontractors	1,631,419.78		1,631,419.78	2,311,983.89		2,311,983.89
Total	178,572,368. 10	4,463,011.96	174,109,356. 14	221,231,150. 10	943,080.41	220,288,069. 69

(2) Provision for decline in value of inventories and for impairment of contract performance costs

In RMB

Item	Opening balance	Increase during the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	732,968.70	2,669,609.90		414,121.35		2,988,457.25
Goods on hand	210,111.71	904,135.40		28,622.61		1,085,624.50
Turnover materials		388,930.21				388,930.21
Total	943,080.41	3,962,675.51		442,743.96		4,463,011.96

Specific basis for determining net realizable value and reasons for reversal or write-off of provision for inventory write-down during the current period

Item	Specific basis for determining net realizable value	Reasons for reversal of provision for inventory write-down during the current period	Reasons for write-off of provision for inventory write-down

Raw materials	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period
Goods on hand	Net realizable value is determined at the estimated selling price of the related finished goods less estimated selling expenses and related taxes		Sold during the current period

9. Contract assets

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Retention receivables	5,921,700.00	296,085.00	5,625,615.00			
Total	5,921,700.00	296,085.00	5,625,615.00			

Significant changes in carrying value of contract assets during the current period and reasons:

In RMB

Item	Changes	Reason for changes

If impairment provisions for contract assets are made using the general model of expected credit loss, disclose the relevant information on impairment provisions in accordance with the disclosure approach for other receivables:

☐Applicable ☑N/A

Provision for impairment of contract assets during the current period:

In RMB

Item	Current provision	Reversed during the current period	Written off during the current period	Reasons
Provision for impairment by grouping	296,085.00			
Total	296,085.00			——

Other information:

Contract assets for which impairment provisions are made by grouping

Item	Closing balance		
	Book balance	Provision for impairment	Provision ratio（%）
Aging group	5,921,700.00	296,085.00	5.00
Within 1 year	5,921,700.00	296,085.00	5.00
Sub-total	5,921,700.00	296,085.00	5.00

10. Other current assets

In RMB

Item	Closing balance	Opening balance
Prepaid enterprise income tax	199,517.96	791,164.07
Input VAT to be deducted	613.46	1,223,116.59
Total	200,131.42	2,014,280.66

Other information:

11. Long-term equity investments

In RMB

Investees	Opening balance (carrying value)	Changes during the current period								Closing balance (carrying value)	Closing balance of provision for impairment
		Additional investment	Decreased investment	Share of profit or loss under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distribution	Provision for impairment	Others		
I. Joint ventures											
II. Associates											
Shaoxing Shangyu Fenglongyuanzhi Equity Investment Partnership (Limited Partnership)	18,528,447.60			2,031, 363.60						20,559,811.20	
Sub-total	18,528,447.60			2,031, 363.60						20,559,811.20	
Total	18,528,447.60			2,031, 363.60						20,559,811.20	

Other information:

12. Fixed assets

In RMB

Item	Closing balance	Opening balance
Fixed assets	184,991,031.94	191,194,506.19
Total	184,991,031.94	191,194,506.19

(1) Details of fixed assets

In RMB

Item	Buildings and constructions	General equipment	Specialized equipment	Vehicles	Total
I. Original carrying value:					
1.Opening balance	104,313,479.43	6,482,102.14	216,161,350.37	10,417,323.52	337,374,255.46
2. Increase during the current period		70,455.69	20,732,591.42		20,803,047.11
(1) Purchase		70,455.69	17,882,418.10		17,952,873.79
(2) Transfer from construction in progress			2,850,173.32		2,850,173.32
(3) Increase due to business merger					

3. Decrease in the current period		11,379.87	1,553,510.43	380,000.00	1,944,890.30
(1) Disposal or retirement		11,379.87	1,553,510.43	380,000.00	1,944,890.30
4. Closing balance	104,313,479.43	6,541,177.96	235,340,431.36	10,037,323.52	356,232,412.27
II. Accumulative depreciation					
1.Opening balance	44,063,213.97	5,180,662.50	89,235,753.54	7,700,119.26	146,179,749.27
2.Increase during the current period	5,175,509.27	392,562.57	19,895,033.19	1,029,766.50	26,492,871.53
(1) Provision	5,175,509.27	392,562.57	19,895,033.19	1,029,766.50	26,492,871.53
3. Decrease in the current period		4,506.41	1,065,734.06	361,000.00	1,431,240.47
(1) Disposal or retirement		4,506.41	1,065,734.06	361,000.00	1,431,240.47
4. Closing balance	49,238,723.24	5,568,718.66	108,065,052.67	8,368,885.76	171,241,380.33
III. Provision for impairment					
1.Opening balance					
2.Increase during the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or retirement					
4. Closing balance					
IV. Carrying value					
1. Closing carrying value	55,074,756.19	972,459.30	127,275,378.69	1,668,437.76	184,991,031.94
2. Opening carrying value	60,250,265.46	1,301,439.64	126,925,596.83	2,717,204.26	191,194,506.19

13. Construction in progress

In RMB

Item	Closing balance	Opening balance
Construction in progress	222,954,579.83	122,290,938.57
Total	222,954,579.83	122,290,938.57

(1) Details of construction in progress

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
New project for production of 3.25 million sets of hydraulic components and 4.10 million sets of automotive precision metal parts per annum	113,148,889. 13		113,148,889. 13	63,032,693.28		63,032,693.28
New project for production of 16 million pieces of key components for garden machinery per annum	74,512,011.61		74,512,011.61	36,379,543.84		36,379,543.84
New R&D center project	32,265,091.91		32,265,091.91	19,873,752.69		19,873,752.69
Other miscellaneous projects	3,163,587.18	135,000.00	3,028,587.18	3,004,948.76		3,004,948.76
Total	223,089,579. 83	135,000.00	222,954,579. 83	122,290,938. 57		122,290,938. 57

(2) Changes in significant construction in progress projects during the current period

In RMB

Item	Budget	Opening balance	Increase during the current period	Transfer to fixed assets during the current period	Other decrease during the current period	Closing balance	Cumulative project expenditure as a percentage of budget	Project progress	Cumulative capitalized interest	Incl: Interest capitalized during the current period	Interest capitalization rate during the current period	Source of funding
New project for production of 3.25 million sets of hydraulic components and 4.10 million sets of automotive precision metal parts per annum	315,000,000.00[1]	63,032,693.28	50,116,195.85			113,148,889.13	40.57%	40.00%	14,784,712.57	7,135,981. 93	7.52%	Proceeds from share issuance

New project for production of 16 million pieces of key components for garden machinery per annum	123,711,900.00	36,379,543.84	38,132,467.77			74,512,011.61	75.61%	75.00%				Proceeds from share issuance
New R&D center project	43,910,300.00[2]	19,873,752.69	12,391,339.22			32,265,091.91	86.27%	85.00%				Proceeds from share issuance
Other miscellaneous projects		3,004,948.76	3,008,811.74	2,850,173.32		3,163,587.18						Others
Total	482,622,200.00	122,290,938.57	103,648,814.58	2,850,173.32		223,089,579.83			14,784,712.57	7,135,981.93		

Notes: 1 The budget for this project includes proceeds from share issuance and others.
2 The budget for this project includes proceeds from share issuance and others.

(3) Provision for impairment of construction in progress during the current period

In RMB

Item	Amount provided during the current period	Reasons for provision
Other miscellaneous projects	135,000.00	Equipment cannot be used due to quality issues
Total	135,000.00	--

Other information:

14. Intangible assets

(1) Details of intangible assets

In RMB

Item	Land use rights	Patent	Non-patent technology	Software	Patent technology and trademarks	Total
I. Original carrying value						
1. Opening balance	64,935,909.34			3,716,145.21	17,671,400.00	86,323,454.55
2. Increase during the current period				361,837.17		361,837.17
(1) Purchase				361,837.17		361,837.17
(2) Internal research and development						
(3) Increase due to business mergers						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	64,935,909.34			4,077,982.38	17,671,400.00	86,685,291.72
II. Accumulated amortization						
1. Opening balance	8,460,438.36			1,858,493.36	5,301,420.12	15,620,351.84
2. Increase during the current period	1,300,290.12			456,648.21	1,767,140.04	3,524,078.37
(1)	1,300,290.12			456,648.21	1,767,140.04	3,524,078.37

Provision						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	9,760,728.48			2,315,141.57	7,068,560.16	19,144,430.21
III. Provision for impairment						
1. Opening balance						
2. Increase during the current period						
(1) Provision						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance						
IV. Carrying value						
1. Closing carrying value	55,175,180.86			1,762,840.81	10,602,839.84	67,540,861.51
2. Opening carrying value	56,475,470.98			1,857,651.85	12,369,979.88	70,703,102.71

Proportion of intangible assets generated from the Company's internal research and development to the balance of intangible assets at the end of the period: 0.00%.

15. Goodwill

(1) Gross carrying amount of goodwill

In RMB

Name of investee or events giving rise to goodwill	Opening balance	Increase		Decrease		Closing balance
		Arising from business merger		Disposal		
Tuson Precision	9,903,454.24					9,903,454.24
Total	9,903,454.24					9,903,454.24

(2) Provision for impairment of goodwill

In RMB

Name of investee or events giving rise to goodwill	Opening balance	Increase		Decrease		Closing balance
		Provision		Disposal		
Tuson Precision	518,762.94	175,494.55				694,257.49

Total	518,762.94	175,494.55				694,257.49

Information on cash-generating units or groups of cash-generating units containing goodwill

Composition of the cash-generating unit	Operating assets and liabilities of Tuson Precision
Carrying value of the cash-generating unit	136,814,902.73
Carrying value of goodwill allocated to the cash-generating unit and allocation method	The Company holds 51% equity interest in Tuson Precision. The carrying value of goodwill allocated to the cash-generating unit is RMB7,793,181.88 (excluding goodwill of RMB2,110,272.36 arising from recognition of deferred tax liabilities).
Carrying value of the cash-generating unit containing goodwill	152,095,651.51
Whether the cash-generating unit is consistent with that determined on the acquisition date or in prior years' goodwill impairment tests	Yes

Description of the goodwill impairment testing process, key parameters (such as forecast period growth rate, stable period growth rate, profit margin, discount rate and forecast period when determining present value of estimated future cash flows) and method for recognizing goodwill impairment losses:
The recoverable amount of the cash-generating unit or group of cash-generating units containing goodwill is calculated based on the present value of estimated future cash flows. The estimated cash flows are based on the five-year cash flow projections approved by the Company. A discount rate of 11.77% (2021: 13.16%) is used for the cash flow projections. Revenue conditions beyond the forecast period are assumed to remain at the 2027 level.
Other key data used in the impairment test include: estimated selling prices of products, sales volume, production costs and other related expenses. The Company determines the above key data based on historical experience and forecasts of market development. The discount rate adopted by the Company is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the relevant cash-generating unit.

Impact of goodwill impairment test

According to the Valuation Report (Kun Yuan Ping Bao [2023] No. 248) issued by Kun Yuan Appraisal Company engaged by the Company, the recoverable amount of the cash-generating unit containing goodwill is RMB231,700,000.00, with a carrying value of RMB152,095,651.51. No impairment loss on goodwill was identified.

Other information:

16. Long-term prepaid expenses

In RMB

Item	Opening balance	Increase during the current period	Amortization	Other decrease	Closing balance
Decoration expenses	2,321,778.62		1,082,661.56		1,239,117.06
Pollution discharge rights		434,755.58	59,292.59		375,462.99
Online shop usage rights	66,000.00		18,000.00		48,000.00
Total	2,387,778.62	434,755.58	1,159,954.15		1,662,580.05

Other information:

17. Deferred tax assets / deferred tax liabilities

(1) Deferred tax assets not offset

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Unrealized profits on intragroup transactions	1,957,543.84	293,631.57	4,669,255.51	700,388.32

Deductible losses	24,193,282.93	3,628,992.44	6,913,815.58	1,037,072.34
Share-based payment	11,426,398.00	1,791,441.90	1,247,935.00	195,446.55
Provision for bad debts on accounts receivables	6,224,342.55	962,527.89	9,493,871.40	1,512,936.77
Contingent consideration	4,570,481.78	685,572.27	4,570,481.78	685,572.27
Provision for inventory write-down	4,463,011.96	685,729.73	943,080.41	141,462.06
Deferred income	3,329,501.33	499,425.20	3,978,631.41	596,794.71
Provision for impairment of contract assets	296,085.00	56,371.25		
Provision for impairment of construction in progress	135,000.00	20,250.00		
Financial liabilities held for trading			598,040.66	89,706.10
Total	56,595,647.39	8,623,942.25	32,415,111.75	4,959,379.12

(2) Deferred tax liabilities not offset

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Fair value adjustments on assets arising from business combinations not under common control	18,509,998.38	2,776,499.76	20,804,044.74	3,120,606.71
Capitalized interest on convertible bonds	10,565,692.37	1,584,853.86	6,338,287.67	950,743.15
One-time pre-tax deduction for equipment	6,753,070.80	1,012,960.62		
Financial assets held for trading	1,392,836.06	208,925.41		
Total	37,221,597.61	5,583,239.65	27,142,332.41	4,071,349.86

(3) Deferred tax assets or deferred tax liabilities presented on a netting basis

In RMB

Item	Closing offset amount of deferred tax assets and liabilities	Closing balance of deferred tax assets or liabilities after offset	Opening offset amount of deferred tax assets and liabilities	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	1,221,886.03	7,402,056.22		4,959,379.12
Deferred tax liabilities	1,221,886.03	4,361,353.62		4,071,349.86

(4) Details of unrecognized deferred tax assets

In RMB

Item	Closing balance	Opening balance
Deductible losses	891,351.12	537,889.26
Share-based payment	302,804.00	32,266.00
Provision for bad debts on other receivables	97,354.66	1,610,269.94
Total	1,291,509.78	2,180,425.20

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following year

In RMB

Year	Closing balance	Opening balance	Remark
2024	5,145.42	5,145.42	
2025	208,860.91	208,860.91	
2026	323,882.93	323,882.93	
2027	353,461.86		
Total	891,351.12	537,889.26	

Other information:

18. Other non-current assets

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Prepayments for acquisition of non-current assets	7,586,105.84		7,586,105.84	28,975,173.01		28,975,173.01
Total	7,586,105.84		7,586,105.84	28,975,173.01		28,975,173.01

Other information:

19. Short-term borrowings

(1) Category of short-term borrowings

In RMB

Item	Closing balance	Opening balance
Credit borrowings	39,000,000.00	101,439,400.00
Discounting of notes	40,000,000.00	15,000,000.00
L/C discounting	10,000,000.00	10,000,000.00
Interest on borrowings	40,578.47	368,788.04
Total	89,040,578.47	126,808,188.04

Description for categories of short-term borrowings:

20. Financial liabilities held for trading

In RMB

Item	Closing balance	Opening balance
Financial liabilities held for trading	4,570,481.78	5,168,522.44
Incl.:		
Derivative financial liabilities		598,040.66
Contingent consideration	4,570,481.78	4,570,481.78
Incl.:		
Total	4,570,481.78	5,168,522.44

Other information:

The contingent consideration was agreed upon when the Company acquired Tuson Precision. If the target company achieves the performance commitments, 22.40% of the excess profit will be awarded to the original shareholders.

21. Notes payable

In RMB

Category	Closing balance	Opening balance

Bank acceptance bills	6,040,828.41	20,893,107.36
Total	6,040,828.41	20,893,107.36

Total notes payable matured but not paid yet is nil at the end of the period.

22. Accounts payables

(1) Presentation of accounts payables

In RMB

Item	Closing balance	Opening balance
Materials payable	68,862,817.40	111,780,428.27
Equipment payable	21,958,941.79	24,005,184.54
Transportation, energy and other expenses	2,091,557.67	2,593,478.07
Total	92,913,316.86	138,379,090.88

(2) Significant accounts payables aged over one year or overdue

In RMB

Item	Closing balance	Reason for failure to be repaid or carried forward

Other information:

At period end, there were no significant Accounts payables aged over 1 year.

23. Contract liabilities

In RMB

Item	Closing balance	Opening balance
Receipts in advance	609,762.30	507,360.30
Total	609,762.30	507,360.30

Amounts and reasons for significant changes in carrying value during the reporting period

In RMB

Item	Changes	Reason for changes

24. Employee benefits payable

(1) Presentation of employee benefits payable

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term benefits	14,317,479.46	96,820,226.82	97,338,737.07	13,798,969.21
II. Post-employment benefits-defined contribution plan	497,885.74	5,614,843.70	5,684,966.04	427,763.40
Total	14,815,365.20	102,435,070.52	103,023,703.11	14,226,732.61

(2) Presentation of short-term employee benefits

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	13,929,148.14	85,019,974.35	85,489,039.81	13,460,082.68
2. Employee welfare expenses		5,412,075.90	5,412,075.90	
3. Social security contributions	349,671.32	3,824,812.75	3,879,782.54	294,701.53
Incl.: Medical insurance	337,349.45	3,517,620.17	3,586,341.47	268,628.15
Work-related injuries insurance	12,321.87	307,192.58	293,441.07	26,073.38
4. Housing provident fund	38,660.00	2,392,397.00	2,386,872.00	44,185.00
5. Trade union fees and employee education expenses		170,966.82	170,966.82	
Total	14,317,479.46	96,820,226.82	97,338,737.07	13,798,969.21

(3) Presentation of defined contribution plans

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pensions	480,585.12	5,420,393.00	5,487,966.36	413,011.76
2. Unemployment insurance	17,300.62	194,450.70	196,999.68	14,751.64
Total	497,885.74	5,614,843.70	5,684,966.04	427,763.40

Other information:

25. Taxes payable

In RMB

Item	Closing balance	Opening balance
VAT	726,220.78	396,965.33
Enterprise income tax	2,645,384.34	3,833,839.01
Individual income tax	112,799.19	118,774.02
Urban maintenance and construction tax	321,414.90	230,634.72
Property tax	772,637.99	814,659.29
Education surcharges	192,848.99	138,380.83
Local education surcharges	138,789.12	92,253.90
Land use tax	138,085.78	138,085.78
Stamp duty	15,213.30	4,050.70
Total	5,063,394.39	5,767,643.58

Other information:

26. Other payables

In RMB

Item	Closing balance	Opening balance
Other payables	21,527,428.71	22,310,334.22
Total	21,527,428.71	22,310,334.22

(1) Other payables

1) Other payables presented by nature

In RMB

Item	Closing balance	Opening balance
Repurchase obligation for restricted shares	20,924,906.66	20,924,906.66
Suspense payables	570,522.05	1,353,427.56
Security deposit	32,000.00	32,000.00
Total	21,527,428.71	22,310,334.22

2) Significant other payables aged over 1 year

In RMB

Item	Closing balance	Reason for failure to be repaid or carried forward
Repurchase obligation for restricted shares	20,924,906.66	The Company recognizes repurchase obligation for unvested restricted shares
Total	20,924,906.66	

Other information:

27. Non-current liabilities to be settled within one year

In RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year		6,107,920.60
Interest on bonds payable due within one year	1,707,792.77	1,221,883.98
Interest on long-term borrowings		22,450.91
Total	1,707,792.77	7,352,255.49

Other information:

28. Other current liabilities

In RMB

Item	Closing balance	Opening balance
Output tax to be transferred	79,269.10	65,956.84
Total	79,269.10	65,956.84

Changes in short-term bonds payable:

In RMB

Name of bond	Par value	Issue date	Term of bond	Issue amount	Opening balance	Issue for the period	Interest accrued based on par value	Amortization of premiums or discounts	Repayment for the period		Closing balance
Total											

Other information:

29. Long-term borrowings

(1) Category of long-term borrowings

In RMB

Item	Closing balance	Opening balance
Secured borrowings		54,843,771.40
Total		54,843,771.40

Description of category of long-term borrowings:

Other information, including interest rate range:

30. Bonds payable

(1) Bonds payable

In RMB

Item	Closing balance	Opening balance
Convertible bonds	199,569,868.19	187,518,634.90
Total	199,569,868.19	187,518,634.90

(2) Changes in bonds payable (excluding preference shares, perpetual bonds and other financial instruments classified as financial liabilities)

In RMB

Name of bonds	Par value	Issue date	Bond term	Issue amount	Opening balance	Issued during the current period	Interest accrued at par value	Amortization of premium/discount	Repaid during the current period	Decrease in par value due to conversion during the current period	Amortization of premium/discount transferred out due to conversion during the current period	Closing balance
Fenglong convertible bonds	100.00	2021/1/8	6 years	245,000,000.00	187,518,634.90		1,707,792. 79	14,089,295.72		406,400.00	76,130.36	199,569,868.19
Total	——			245,000,000.00	187,518,634.90		1,707,792. 79	14,089,295.72		406,400.00	76,130.36	199,569,868.19

(3) Conversion terms and conversion period of convertible bonds

Upon approval from the China Securities Regulatory Commission in the Reply on Approval of Public Issuance of Convertible Bonds by Zhejiang Fenglong Electric Co., Ltd. (CSRC License [2020] No. 3335), the Company publicly issued convertible bonds with a par value of RMB245 million on January 8, 2021 (hereinafter referred to as the "convertible bonds"). The convertible bonds have a term of six years with interest paid annually. The principal and the interest for the final year will be repaid at maturity. The coupon rates are 0.5% for the first year, 0.7% for the second year, 1.2% for the third year, 1.8% for the fourth year, 2.5% for the fifth year and 3.0% for the sixth year. The conversion period commences from the first trading day six months after the completion of issuance and ends on the maturity date of the convertible bonds (i.e., from July 14, 2021 to January 7, 2027). The initial conversion price was RMB17.97 per share. In June 2021, as a result of the implementation of the Company's 2020 profit distribution plan, the conversion price was adjusted to RMB12.73 per share, and the adjusted conversion price became effective on June 8, 2021. In June 2022, as a result of the implementation of the Company's 2021 profit distribution plan, the conversion price was adjusted to RMB12.63 per share, and the adjusted conversion price became effective on June 29, 2022.

31. Deferred income

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government grants	3,978,631.41		649,130.08	3,329,501.33	For details, please refer to Note VII.59
Total	3,978,631.41		649,130.08	3,329,501.33	--

Items involving government grants:

In RMB

Liability item	Opening balance	Government grants received during the current period	Recognized in non-operating income during the current period	Recognized in other income during the current period	Offset against costs and expenses during the current period	Other changes	Closing balance	Asset-related/income-related
New project for production of 18 million pieces of automotive precision aluminum die-cast components per annum	1,625,000.00			259,180.00			1,365,820.00	Asset-related
Project for production of 3 million sets of digital magnetos per annum	665,730.00			85,880.00			579,850.00	Asset-related
Technical renovation project for production of 5 million igniters and 8 million flywheels per annum	505,320.00			91,760.00			413,560.00	Asset-related
Technical renovation project for production of 5 million pieces of automotive parts per annum	305,300.00			61,060.00			244,240.00	Asset-related
New project for production of 16 million pieces of key components for garden machinery per annum	266,550.00			53,310.00			213,240.00	Asset-related
Technical renovation project for additional production of 65,000 sets of excavator hydraulic control valves per annum	243,121.57			32,060.04			211,061.53	Asset-related
Technical renovation project for production of 50,000 sets of proportional/on-off solenoid valves, 20,000 sets of positive control valves, 500,000 pump shafts and 300,000 valve shafts per annum	229,259.84			38,210.04			191,049.80	Asset-related
R&D center upgrade project	138,350.00			27,670.00			110,680.00	Asset-related
Sub-total	3,978,631.41			649,130.08			3,329,501.33	

Other information:

For details of government grants recognized in profit or loss during the current period, please refer to the government grants disclosure in the notes to consolidated financial statement items in these financial statement notes.

32. Share capital

In RMB

	Opening balance	Increase or decrease (+, -)					Closing balance
		New shares	Bonus shares	Capitalization of capital reserve	Others	Sub-total	
Total shares	199,140,144.00				32,162.00	32,162.00	199,172,306.00

Other information:

During 2022, a total of 4,064 convertible bonds were converted into shares, resulting in an increase in paid-in capital of RMB32,162.00.

33. Other equity instruments

(1) Basic information on preference shares, perpetual bonds and other financial instruments outstanding at period end

Upon approval from the China Securities Regulatory Commission (CSRC License [2020] No. 3335), the Company publicly issued 2,450,000 convertible bonds with a par value of RMB100.00 each, issued at par value, for a total issue amount of RMB245,000,000.00. After deducting underwriting fees, sponsorship fees and other external expenses directly attributable to the issuance of convertible bonds, the net proceeds raised amounted to RMB238,321,574.46. The receipt of the above proceeds was verified by Pan-China Certified Public Accountants LLP and a capital verification report (Tian Jian Yan [2021] No. 10) was issued.

(2) Changes in preference shares, perpetual bonds and other financial instruments outstanding at period end

In RMB

Financial instruments outstanding	Opening		Increase		Decrease		Closing	
	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value
Convertible bonds	2,443,768.00	62,169,270.38			4,064.00	103,387.85	2,439,704.00	62,065,882.53
Total	2,443,768.00	62,169,270.38			4,064.00	103,387.85	2,439,704.00	62,065,882.53

Description of changes in other equity instruments during the current period, reasons for changes and basis for relevant accounting treatment:

The decrease during the current period was due to conversion of convertible bonds into shares.

Other information:

34. Capital reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (share capital premium)	118,472,620.43	401,321.24		118,873,941.67
Other capital reserve	1,280,201.00	10,449,001.00		11,729,202.00
Total	119,752,821.43	10,850,322.24		130,603,143.67

Other information, including changes and reasons therefor:

(1) Description of changes in share premium

The increase in share premium of RMB401,321.24 was due to the premium portion from the exercise of convertible bonds being transferred to share premium.

(2) Description of changes in other capital reserve

The increase in other capital reserve of RMB10,449,001.00 was due to recognition of share-based payment for the employee stock ownership plan with phased vesting.

35. Treasury shares

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Restricted shares	20,924,906.66			20,924,906.66
Total	20,924,906.66			20,924,906.66

Other information, including changes and reasons therefor:

In December 2022, as the restricted shares had not yet met the vesting conditions, the Company accounted for them as treasury shares and recognized the related liability for the repurchase obligation by recognizing other payables of RMB20,924,906.66.

As of January 5, 2023, the lock-up period for the first batch of shares under the employee stock ownership plan expired, involving 1,272,030 shares.

36. Other comprehensive income

In RMB

Item	Opening balance	Amount in the current period						Closing balance
		Amount before income tax for the current period	Less: Amount included in other comprehensive income for the prior periods and transferred to the profit or loss for the current period	Less: Amount included in other comprehensive income for the prior periods and transferred to the retained earnings for the current period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests after tax	
II. Other comprehensive income that will be reclassified to profit or loss	-177,743.40	148,626.82				148,626.82		-29,116.58
Translation differences of financial statements denominated in foreign currencies	-177,743.40	148,626.82				148,626.82		-29,116.58
Other comprehensive incomeTotal	-177,743.40	148,626.82				148,626.82		-29,116.58

Other information, including adjustment of the effective part of the cash flow hedge gains and losses transferred to initially recognized amount of hedged items:

37. Surplus reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	24,645,422.94	2,540,738.41		27,186,161.35
Total	24,645,422.94	2,540,738.41		27,186,161.35

Descriptions of surplus reserve, including changes for the current period and reasons therefor:

The increase in surplus reserve during the current period was due to the appropriation of 10% of the net profit of the Company for 2022 to statutory surplus reserve in accordance with the Company Law and the Articles of Association.

38. Undistributed profit

In RMB

Item	Amount in the current period	Amount in the prior period
Undistributed profits at the end of the prior period before adjustment	283,061,540.25	229,500,363.36
Add: Net profit attributable to owners of the parent company for the current period	48,592,436.32	79,215,071.10
Less: Appropriation to statutory surplus reserve	2,540,738.41	4,322,694.21
Dividends payable for ordinary shares	19,914,034.70	21,331,200.00
Closing balance of undistributed profits	309,199,203.46	283,061,540.25

Details of adjustments to the opening balance of undistributed profits:

1) Effect on the opening balance of undistributed profits due to retrospective adjustment pursuant to the Accounting Standards for Business Enterprises and related new provisions: Nil.

2) Effect on the opening balance of undistributed profits due to changes in accounting policies: Nil.

3) Effect on the opening balance of undistributed profits due to the correction of material accounting errors: Nil.

4) Effect on the opening balance of undistributed profits due to changes in the scope of consolidation resulting from business merger involving entities under common control: Nil.

5) Effect on the opening balance of undistributed profits due to other adjustments: Nil.

39. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	581,460,244.32	446,010,229.82	708,081,743.28	508,359,403.41
Other business	5,869,551.75	6,487,987.52	11,556,930.53	8,418,788.16
Total	587,329,796.07	452,498,217.34	719,638,673.81	516,778,191.57

Is the lower of the audited net profit before and after deduction of non-recurring gain or loss negative?

☐Yes ☑No

Information on revenue:

In RMB

Category of contract	Segment 1	Segment 2		Total
Types of goods				587,329,796.07
Incl.:				
Garden machinery				246,579,669.83

Automotive parts				123,929,934.42
Hydraulic components				172,596,968.65
Others				44,223,223.17
By operating region				587,329,796.07
Incl.:				
Domestic				330,278,615.49
Overseas				257,051,180.58
By market or customer type				
Incl.:				
By contract type				
Incl.:				
By transfer time of goods				587,329,796.07
Incl.:				
Revenue recognized at a point in time				587,329,796.07
By term of contract				
Incl.:				
By sales channel				
Incl.:				
Total				587,329,796.07

Information related to performance obligations:

The Company's principal business is the research and development, production and sales of garden machinery components, automotive parts and hydraulic components. For domestic sales of goods, the Company reconciles accounts with customers on a regular monthly basis or settles based on actual monthly usage under vendor-managed inventory arrangements, and the Company obtains an unconditional right to receive consideration after reconciliation. For overseas sales of goods, when the Company obtains the bill of lading, delivery receipt or settlement statement, the customer obtains control of the relevant goods and the Company obtains an unconditional right to receive consideration.

Information related to the transaction price allocated to the outstanding performance obligations:

The revenue corresponding to performance obligations under contracts signed but not yet performed or not yet fully performed as at the end of the reporting period amounts to RMB0.00.

Other information:

Revenue recognized during the current period that was included in the opening balance of contract liabilities amounted to RMB489,497.46.

40. Taxes and surcharges

In RMB

Item	Amount in the current period	Amount in the prior period
Urban maintenance and construction tax	1,059,622.23	918,420.00
Education surcharges	635,773.37	550,952.46
Property tax	772,638.02	814,659.29
Land use tax	138,085.78	138,063.46
Vehicle and vessel tax	12,284.88	15,974.88
Stamp duty	224,336.46	281,789.50
Local education surcharges	434,072.01	367,301.67

Total	3,276,812.75	3,087,161.26

Other information:

41. Selling expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Business entertainment expenses	3,582,770.06	3,198,237.57
Employee benefits	3,077,304.44	3,818,372.60
Travel expenses	1,049,813.49	1,890,007.50
Employee stock ownership plan	916,880.00	136,656.00
Office expenses	176,693.23	212,916.28
Business promotion expenses	63,825.25	86,717.97
Others	1,105,572.59	1,278,232.21
Total	9,972,859.06	10,621,140.13

Other information:

42. Administrative expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	24,837,676.25	22,436,847.17
Depreciation and amortization	6,820,287.52	6,892,794.25
Employee stock ownership plan	5,446,895.00	595,023.00
Agency and consulting fees	2,510,353.66	2,811,553.28
Transportation and travel expenses	2,205,796.11	2,104,784.42
Office expenses	1,466,108.25	1,453,974.27
Repair and renovation expenses	1,350,622.77	1,310,655.55
Business entertainment expenses	1,142,732.52	1,431,651.78
Others	2,134,490.09	3,208,267.81
Total	47,914,962.17	42,245,551.53

Other information:

43. Research and development expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	17,746,002.50	17,488,599.00
Direct materials	13,414,987.99	22,042,924.17
Employee stock ownership plan	3,696,574.00	461,214.00
Depreciation and amortization	2,317,005.06	2,052,482.32
Utilities	929,165.81	1,054,440.77
Certification fees	370,461.27	295,708.95
Others	392,242.61	379,068.20
Total	38,866,439.24	43,774,437.41

Other information:

44. Financial expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Interest expense	8,083,643.50	5,635,831.25
Less: Interest income	904,517.62	1,051,027.12
Foreign exchange gains and losses	-8,153,782.93	2,941,735.82
Charges and others	200,044.73	188,159.75
Total	-774,612.32	7,714,699.70

Other information:

45. Other income

In RMB

Source of other income	Amount in the current period	Amount in the prior period
Government grants related to assets	649,130.08	749,480.08
Government grants related to income	7,312,432.94	5,307,422.80
Refund of service fees of withholding individual income tax	36,513.79	23,980.11
Total	7,998,076.81	6,080,882.99

46. Investment income

In RMB

Item	Amount in the current period	Amount in the prior period
Income from long-term equity investments under equity method	2,031,363.60	941,263.06
Investment income from disposal of Financial assets held for trading	-95,307.98	
Investment income from wealth management products	2,765,376.11	3,904,870.68
Interest on bill discounting	-82,064.40	-112,698.74
Total	4,619,367.33	4,733,435.00

Other information:

47. Gains from changes in fair value

In RMB

Sources of gains from changes in fair value	Amount in the current period	Amount in the prior period
Financial assets held for trading	1,720,804.68	
Incl.: Gains from changes in fair value arising from derivative financial instruments	1,720,804.68	
Financial liabilities held for trading		-4,131,856.74
Total	1,720,804.68	-4,131,856.74

Other information:

48. Impairment losses of credit

In RMB

Item	Amount in the current period	Amount in the prior period
Bad debt losses of other receivables	1,512,915.28	-887,480.57
Bad debt losses of Accounts receivables	3,269,528.85	-1,526,409.79
Total	4,782,444.13	-2,413,890.36

Other information:

49. Impairment losses of assets

In RMB

Item	Amount in the current period	Amount in the prior period
II. Loss on inventory write-down and impairment loss on costs to fulfill a contract	-3,962,675.51	-200,827.65
VII. Impairment losses of construction in progress	-135,000.00	
XI. Impairment losses of goodwill	-175,494.55	-172,023.61
XII. Impairment losses of contractual assets	-296,085.00	
Total	-4,569,255.06	-372,851.26

Other information:

50. Income from disposal of assets

In RMB

Source of income from disposal of assets	Amount in the current period	Amount in the prior period
Income from disposal of fixed assets	-391,469.16	96,943.60
Total	-391,469.16	96,943.60

51. Non-operating revenues

In RMB

Item	Amount in the current period	Amount in the prior period	Amount included in the non-recurring gain or loss for the current period
Payment not to be made	56,755.00	125,488.30	56,755.00
Others	3,504.40	159,625.71	3,504.40
Total	60,259.40	285,114.01	60,259.40

Government grants recognized in profit or loss during the current period:

In RMB

Grant item	Granting entity	Reason for grant	Nature and type	Whether the subsidy affects profit or loss for the current year	Whether it is a special subsidy	Amount for the current period	Amount for the prior period	Asset-related/income-related

Other information:

52. Non-operating expenses

In RMB

Item	Amount in the current period	Amount in the prior period	Amount included in the non-recurring gain or loss for the current period
External donations	124,850.00	100,000.00	124,850.00
Others	15,041.59	5,273.22	15,041.59
Total	139,891.59	105,273.22	139,891.59

Other information:

53. Income tax expenses

(1) Table of income tax expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Current income tax expenses	3,215,691.39	11,139,541.45
Deferred income tax expenses	-2,152,673.34	-966,956.34
Total	1,063,018.05	10,172,585.11

(2) Reconciliation of income tax expenses to the accounting profit

In RMB

Item	Amount in the current period
Total profit	49,655,454.37
Income tax expense calculated based on statutory/applicable tax rate	7,448,318.16
Impact of different tax rates applicable to subsidiaries	-28,853.15
Impact of non-taxable income	-304,704.54
Effect of non-deductible cost, expense and loss	518,108.50
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	-46,198.75
Additional deduction for research and development expenses	-5,510,691.55
Additional deduction for fixed assets	-1,012,960.62
Income tax expenses	1,063,018.05

Other information:

54. Other comprehensive income

See Note 36.

55. Items of the cash flow statement

(1) Other cash receipts relating to operating activities

In RMB

Item	Amount in the current period	Amount in the prior period
Refund of margin for bank acceptance bills	36,555,438.57	62,653,519.64
Government grants	7,312,432.94	6,310,922.80
Interest income received from bank deposits	904,517.62	1,051,027.12
Net operating receipts	240,641.43	707,633.82
Total	45,013,030.56	70,723,103.38

Description of other cash receipts relating to operating activities:

(2) Other cash payments relating to operating activities

In RMB

Item	Amount in the current period	Amount in the prior period
Other operating and administrative expenses paid in cash	19,635,501.60	20,953,697.17
Margin for bills and others paid	34,072,991.15	57,534,136.78
Net operating payments	422,502.48	
Total	54,130,995.23	78,487,833.95

Description of other cash payments relating to operating activities:

(3) Other cash receipts relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Refund of land deposit	1,740,000.00	
Total	1,740,000.00	

Description of other cash receipts relating to investing activities:

(4) Other cash receipts relating to financing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Proceeds from employee stock ownership plan		20,924,906.66
Total		20,924,906.66

Description of other cash receipts relating to financing activities:

(5) Other cash payments relating to financing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Payment for acquisition of minority interests		103,223,253.60
Payment for repurchase of treasury shares		41,802,048.41
Total		145,025,302.01

Description of other cash payments relating to financing activities:

56. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

In RMB

Supplementary information	Amount in the current period	Amount in the prior period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	48,592,436.32	89,417,411.12
Add: Provision for asset impairment	-213,189.07	2,786,741.62
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	26,492,871.53	24,283,821.56
Depreciation of right-of-use assets		
Amortization of intangible assets	3,524,078.37	3,580,200.74
Amortization of long-term prepaid expenses	1,159,954.15	1,564,002.46
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "－")	391,469.16	-96,943.60
Losses on retirement of fixed assets (gains are indicated by "－")		
Losses from changes in fair value (gains are indicated by "-")	-1,720,804.68	4,131,856.74
Financial expenses (gains are indicated by "－")	-70,139.43	8,577,567.07
Investment losses (gains are indicated by "—")	-4,701,431.73	-4,846,133.74
Decrease in deferred tax assets (increase is indicated by "－")	-2,442,677.10	-1,580,398.29
Increase in deferred tax liabilities (decrease is indicated by "－")	290,003.76	613,441.95
Decrease in inventories (increase is indicated by "—")	42,216,038.04	-82,648,675.00
Decrease in receivables from operating activities (increase is indicated by "—")	70,428,449.96	-28,684,924.87
Increase in payables from operating activities (decrease is indicated by "—")	-51,999,673.70	15,964,949.87
Others	10,449,001.00	1,280,201.00
Net cash flows from operating activities	142,396,386.58	34,343,118.63
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		

Convertible corporate bonds due within 1 year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	164,537,128.22	128,513,401.67
Less: Opening balance of cash	128,513,401.67	127,896,266.83
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	36,023,726.55	617,134.84

(2) Composition of cash and cash equivalents

In RMB

Item	Closing balance	Opening balance
I. Cash	164,537,128.22	128,513,401.67
Incl.: Cash on hand	101,417.98	271,096.10
Bank deposit that can be paid at any time	161,432,117.94	128,044,353.98
Other monetary funds that can be paid at any time	3,003,592.30	197,951.59
III. Closing balance of cash and cash equivalents	164,537,128.22	128,513,401.67

Other information:

Commercial bills endorsed and transferred without involving cash receipts and payments

Item	Amount in the current period	Amount in the prior period
Amount of commercial bills endorsed and transferred	6,790,244.67	21,644,603.30
Incl.: Payment for goods	5,055,013.12	10,067,216.85
Payment for acquisition of fixed assets and other long-term assets	1,735,231.55	11,577,386.45

The above amounts have been deducted from "Cash received from sale of goods and rendering of services", "Cash payments for goods purchased and services received" and "Cash payments to acquire or construct fixed assets, intangible assets and other long - term assets" in the cash flow statement.

57. Assets with restricted ownership or right of use

In RMB

Item	Closing carrying value	Reason for restriction
Cash at bank and on hand	3,868,894.99	Margin for bank acceptance bills
Financing receivables	5,738,266.32	Pledge of bank acceptance bills
Total	9,607,161.31	

Other information:

58. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

In RMB

Item	Closing balance of foreign currency	Exchange rate	Translated balance in RMB at the end of the period

Cash at bank and on hand			46,417,116.00
Incl.: USD	4,313,540.73	6.9646	30,042,085.77
EUR	1,993,591.57	7.4229	14,798,230.86
HKD			
JPY	30,091,591.00	0.0524	1,576,799.37
Accounts receivables			38,197,968.83
Incl.: USD	4,175,801.83	6.9646	29,082,789.43
EUR	733,745.78	7.4229	5,446,521.55
HKD			
JPY	70,012,554.46	0.0524	3,668,657.85
Long-term borrowings			
Incl.: USD			
EUR			
HKD			
Accounts payables			1,062,784.57
Incl.: USD	136,297.93	6.9646	949,260.56
EUR	13,983.56	7.4229	103,798.57
JPY	185,600.00	0.0524	9,725.44

Other information:

(2) Descriptions of overseas operating entities, including disclosure of the main overseas business locations, functional currency and the basis for selection of important overseas operating entities, and the reasons for changes in functional currency (if any).

☐Applicable ☑N/A

59. Government grants

(1) Basic information on government grants

In RMB

Category	Amount	Presentation item	Amount recognized in profit or loss for the current period
New project for production of 18 million pieces of automotive precision aluminum die-cast components per annum	2,591,800.00	Deferred income	259,180.00
Project for production of 3 million sets of digital magnetos per annum	858,800.00	Deferred income	85,880.00
Technical renovation project for production of 5 million igniters and 8 million flywheels per annum	917,600.00	Deferred income	91,760.00
Technical renovation project for production of 5 million pieces of automotive parts per annum	610,600.00	Deferred income	61,060.00
New project for production of 16 million pieces of key components for garden machinery per annum	533,100.00	Deferred income	53,310.00
Technical renovation project for additional production of 65,000 sets of excavator hydraulic control valves per annum	320,600.00	Deferred income	32,060.04
Technical renovation project for production of 50,000 sets of proportional/on-off solenoid valves, 20,000 sets of positive control valves, 500,000 pump shafts and 300,000 valve shafts per annum	382,100.00	Deferred income	38,210.04
R&D center upgrade project	276,700.00	Deferred income	27,670.00

Hidden champion enterprise award for 2021	1,182,700.00	Other income	1,182,700.00
Award for promoting digital industrialization, industrial digitization and innovative growth-oriented enterprises in 2021	616,600.00	Other income	616,600.00
Fiscal subsidy for implementation of open economy policy (foreign trade component) (second batch) for 2021	500,000.00	Other income	500,000.00
Municipal-level technology center award	500,000.00	Other income	500,000.00
Provincial-level R&D center award	500,000.00	Other income	500,000.00
Provincial-level overseas engineer award for 2021	422,700.00	Other income	422,700.00
Industrial and trade economy award	417,800.00	Other income	417,800.00
Award for implementation of open economy policy (foreign trade component) (third batch) for 2021	412,000.00	Other income	412,000.00
Award for high-tech enterprise recognition under 2021 science and technology innovation policy	400,000.00	Other income	400,000.00
Employment stabilization subsidy	370,117.94	Other income	370,117.94
Science and technology innovation policy award for 2021 from Science and Technology Bureau	290,000.00	Other income	290,000.00
Training and recruitment award for Shangyu District enterprises in 2022	241,500.00	Other income	241,500.00
Award for purchase of industrial robots in 2021	210,100.00	Other income	210,100.00
Leading enterprise award for land use efficiency in 2021	200,000.00	Other income	200,000.00
Award for resumption of work and production policy (foreign trade component)	195,502.00	Other income	195,502.00
Award for open economy policy (foreign trade component) for 2021	176,000.00	Other income	176,000.00
Enterprise cultivation series award for 2021	165,900.00	Other income	165,900.00
Small and micro enterprise standardization upgrade award	100,000.00	Other income	100,000.00
Industrial digitization award	96,200.00	Other income	96,200.00
One-time post retention training subsidy and job expansion subsidy	92,500.00	Other income	92,500.00
Industrial digitization award	85,526.00	Other income	85,526.00
Cleaner production award subsidy	50,000.00	Other income	50,000.00
Others	87,287.00	Other income	87,287.00
Total	13,803,732.94		7,961,563.02

(2) Government grants refunded

☐Applicable ☑N/A

Other information:

VIII. Changes in Scope of Consolidation

1. Changes in the scope of consolidation due to other reasons

Description of changes in the scope of consolidation due to other reasons (such as establishment of new subsidiaries, liquidation of subsidiaries, etc.) and related information:

Increase in the scope of consolidation

Company name	Method of acquiring equity interest	Date of equity acquisition	Capital contribution (RMB'0,000)	Proportion of capital contribution (%)
Zhejiang Fenglan Intelligent Manufacturing Co., Ltd. [Note]	Establishment	December 2022	700.00	70.00

[Note] The registered capital of Zhejiang Fenglan Intelligent Manufacturing Co., Ltd. is RMB10 million, of which Zhejiang Haolong Electric Co., Ltd., Jiang Weiwei and Qin Zhiming contributed RMB7 million, RMB1.5 million and RMB1.5 million respectively. Zhejiang Fenglan Intelligent Manufacturing Co., Ltd. has not yet commenced business operations.

IX. Interests in Other Entities

1. Interests in subsidiaries

(1) Composition of enterprise group

Name of subsidiary	Main business place	Registered address	Nature of business	Shareholding ratio		Method of acquisition
				Direct	Indirect	
Zhejiang Haolong Electric Co., Ltd.	Shaoxing	Shaoxing	Automotive parts manufacturing	62.03%	37.97%	Business merger involving entities under common control
Zhejiang Fenglan Intelligent Manufacturing Co., Ltd.	Shaoxing	Shaoxing	Automotive parts manufacturing	70.00%		Establishment
Shaoxing Yicheng Motor Co., Ltd.	Shaoxing	Shaoxing	Electromechanical manufacturing	70.00%	30.00%	Business merger involving entities not under common control
Fenglong Motors (Hong Kong) Limited	New Territories, Hong Kong	New Territories, Hong Kong	Investment management	100.00%		Establishment
Hangzhou Fenglong Technology Co., Ltd.	Hangzhou	Hangzhou	R&D and services	100.00%		Establishment
Tuson Precision	Jiaxing	Jiaxing	Electromechanical manufacturing	100.00%		Business merger involving entities not under common control

Descriptions of the difference between the shareholding ratio and the proportion of voting rights in a subsidiary:

Basis for holding half of the voting rights or below but still controlling the investee, and holding over half of the voting rights but having no control over the investee:

Basis for controls over significant structured entities included in consolidation scope:

Basis for determining the Company as the agent or the principal:

Other information:
Note 1: The Company holds 62.0253% equity interest in Zhejiang Haolong Electric Co., Ltd., and Fenglong Motors (Hong Kong) Limited holds 37.9747% equity interest in Zhejiang Haolong Electric Co., Ltd. Therefore, the Company holds an aggregate of 100.00% equity interest in Zhejiang Haolong Electric Co., Ltd., with a total ownership interest of 100.00%.

Note 2: The Company holds 70.00% equity interest in Shaoxing Yicheng Motor Co., Ltd., and Fenglong Motors (Hong Kong) Limited holds 30.00% equity interest in Shaoxing Yicheng Motor Co., Ltd. Therefore, the Company holds an aggregate of 100.00% equity interest in Shaoxing Yicheng Motor Co., Ltd., with a total ownership interest of 100.00%.

2. Interests in joint arrangements or associates

(1) Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of registration	Nature of business	Shareholding ratio		Accounting treatment for investment in joint venture or associate
				Direct	Indirect	

Fenglongyuan zhi Partnership	Shaoxing	Shaoxing	Equity investment	45.00%		Equity method

Description of instances where the shareholding ratio in joint ventures or associates differs from the proportion of voting rights:

Basis for significant influence despite holding less than 20% of voting rights, or for not having significant influence despite holding 20% or more of voting rights:

(2) Principal financial information of significant associates

In RMB

	Closing balance/Amount in the current period	Opening balance/Amount in the prior period
	Fenglongyuanzhi Partnership	Fenglongyuanzhi Partnership
Current assets	3,076,757.89	3,863,214.09
Non-current assets	42,445,247.80	37,132,816.18
Total assets	45,522,005.69	40,996,030.27
Current liabilities		
Non-current liabilities		
Total liabilities		
Minority interests		
Equity attributable to shareholders of the parent	45,522,005.69	40,996,030.27
Share of net assets calculated based on shareholding ratio	20,484,902.56	18,448,213.62
Adjustments		
--Goodwill		
--Unrealized profits on intragroup transactions		
--Others	74,908.64	80,233.98
Carrying value of investment in associate	20,559,811.20	18,528,447.60
Fair value of investment in associate for which quoted prices are available		
Operating evenue		
Net profit	3,026,576.40	1,913,397.95
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	3,026,576.40	1,913,397.95
Dividends received from associates during the year		

Other information:

X. Risks Related to Financial Instruments

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyze its exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The Company is exposed to various risks associated with financial instruments in its daily routines, primarily including credit risk, liquidity risk and market risk. The management has reviewed and approved policies to manage these risks, summarized as below.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instrument will default on its obligations resulting in financial loss to the counterparty.

1. Management of credit risk

(1) Methods of credit risk assessment

The Company assesses at each balance sheet date whether the credit risk of the underlying financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, ranking of external credit risks and forward-looking information. The Company compares the risk of a default occurring on a financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or a group of financial instruments with similar credit risk characteristic, to determine the change of the risk of a default occurring on a financial instrument over the expected life.

The Company considers the credit risk of financial instruments has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion primarily refers to a certain percentage of increase in the probability of default over the remaining life of the financial instruments as of the balance sheet date when comparing with that at initial recognition of the financial instruments;

2) The qualitative criteria include, inter alia, adverse material changes in business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations, and an actual or expected significant adverse change in the technological, market, economic, or legal environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(2) Definition of defaulted or credit-impaired assets

A financial asset is defined as defaulted when the financial instrument meets one or more conditions stated as below, and the criteria of defining defaulted asset is consistent with that of defining credit-impaired asset:

1) significant financial difficulty of the debtor;

2) a breach of contract terms with binding force by the debtor;

3) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider.

2. Measurement of expected credit loss ("ECL")

Key parameters to measure ECL include the probability of default, loss given default and the exposure at default. The Company established models of the probability of default, loss given default and the exposure at default on the basis of quantitative analysis on historical statistical data (such as counterparty ranking, guarantee methods, collateral category, and repayment way) and forward-looking information.

3. Details of reconciliation of the opening balance and the closing balance of provision for impairment of financial instruments can be referred to in Note VII. 3, 4, 5, 7, 9 to the financial statements hereof.

4. Credit risk exposure and credit risk concentration

The Company's credit risk is primarily from Cash at bank and on hand and receivables. In order to control the risks associated with aforementioned items, the Company has taken the following measures.

(1) Cash at bank and on hand

The credit risk of the Company is limited because the Company has deposited bank deposits and other monetary funds in banks with high credit ratings.

(2) Receivables

The Company continually evaluates the creditworthiness of its customers with deals on credit, and selects to deal with approved and creditworthy customers subject to the results of the credit assessment with monitoring the balance of its receivables, so as to ensure that the Company is not exposed to significant risk of bad debt.

No collateral is required since the Company only deals with third parties that are approved and creditworthy. The concentrated credit risks are managed by customers. As of December 31, 2022, the Company is exposed to certain concentration of credit risks, as the Company's Accounts receivables from top 5 customers have accounted for 58.69% of the total balance of Accounts receivables (December 31, 2021: 47.24%). The Company held no collateral or other credit ranking measures for the balance of Accounts receivables.

The maximum exposure to the Company is the carrying value of each financial asset in the balance sheet.

(II) Liquidity risk

Liquidity risk refers to the risk that the Company is in shortage of funds in performing obligations that are settled by delivering cash or another financial asset. Liquidity risk may arise from the inability to sell financial assets at fair value quickly enough; or from the counterparty's inability to repay its contractual debts; or from debts maturing earlier than expected; or from the inability to generate expected cash flows.

In order to control this risk, the Company balances the continuity and flexibility of financing by using various financing measures such as notes settlement and bank borrowings comprehensively and adopting both long-term and short-term financing methods to optimize the financing structure. The Company has received credit facilities from a number of commercial banks to satisfy its working capital requirements and capital expenditures.

Financial liabilities classified by remaining maturity

Item	Closing balance				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	89,040,578.47	89,655,470.14	89,655,470.14		
Financial liabilities held for trading	4,570,481.78	4,570,481.78	4,570,481.78		
Notes payable	6,040,828.41	6,040,828.41	6,040,828.41		
Accounts payables	92,913,316.86	92,913,316.86	92,913,316.86		
Other payables	21,527,428.71	21,527,428.71	21,527,428.71		
Non-current liabilities to be settled within one year	1,707,792.77	1,707,792.77	1,707,792.77		
Long-term borrowings					
Bonds payable	199,569,868.19	264,707,884.00		7,319,112.00	257,388,772.00
Sub-total	415,370,295.19	481,123,202.67	216,415,318.67	7,319,112.00	257,388,772.00

(Continued)

Item	Balance at the end of prior year				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	126,808,188.04	128,441,678.36	128,441,678.36		
Financial liabilities held for trading	5,168,522.44	5,168,522.44	5,168,522.44		
Notes payable	20,893,107.36	20,893,107.36	20,893,107.36		
Accounts payables	138,379,090.88	138,379,090.88	138,379,090.88		
Other payables	22,310,334.22	22,310,334.22	22,310,334.22		
Non-current liabilities to be settled within one year	7,352,255.49	7,409,147.36	7,409,147.36		
Long-term borrowings	54,843,771.40	56,877,419.80		56,877,419.80	
Bonds payable	187,518,634.90	266,859,465.60		4,643,159.20	262,216,306.40
Sub-total	563,273,904.73	646,338,766.02	322,601,880.62	61,520,579.00	262,216,306.40

(III) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate interest-bearing financial instruments expose the Company to fair value interest rate risk, while floating-rate interest-bearing financial instruments expose the Company to cash flow interest rate risk. The Company decides on the proportion of fixed-rate and floating-rate financial instruments based on market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring. The cash flow interest rate risk faced by the Company mainly relates to the Company's bank borrowings at floating rates.

As of December 31, 2022, the Company's bank borrowings at floating rates amounted to RMB0.00 (December 31, 2021: RMB0.00). Assuming all other variables remain constant and interest rates change by 50 basis points, this would not have a material impact on the Company's total profit and shareholders' equity.

2. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The foreign exchange risk faced by the Company mainly relates to the Company's foreign currency monetary assets and liabilities. For foreign currency assets and liabilities, if short-term imbalances occur, the Company will buy and sell foreign currencies at market exchange rates when necessary to ensure that the net risk exposure is maintained at an acceptable level.

For details of the Company's foreign currency monetary assets and liabilities at period end, please refer to Note VII.58 to these financial statements.

XI. Disclosure of Fair Value

1. Closing balance of the fair value of assets and liabilities measured at fair value

In RMB

Item	Closing balance of fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading		1,392,836.06	127,999,000.00	129,391,836.06
1. Financial assets at fair value through profit or loss		1,392,836.06	127,999,000.00	129,391,836.06
(3) Derivative financial assets		1,392,836.06		1,392,836.06
(4) Wealth management products			127,999,000.00	127,999,000.00
(II) Financing receivables			23,886,005.90	23,886,005.90
Total assets continuously measured at fair value		1,392,836.06	151,885,005.90	153,277,841.96
(VI) Financial liabilities held for trading			4,570,481.78	4,570,481.78
Others			4,570,481.78	4,570,481.78
Total liabilities measured at fair value on a recurring basis			4,570,481.78	4,570,481.78
II. Non-continuous fair value measurement	--	--	--	--

2. Valuation techniques and qualitative and quantitative information of key parameters for items subject to continuous and non-continuous fair value measurements within Level 2

The Company held trading financial assets amounting to RMB 1,392,836.06, which were recognized based on the difference between the notional amount locked in under the currency swap contracts held by the Company and the revalued market value recorded in the bank's system.

3. Valuation techniques and qualitative and quantitative information of key parameters for items subject to continuous and non-continuous fair value measurements within Level 3

The financial assets classified as measured at fair value through profit or loss held by the Company primarily comprise wealth management products purchased during the current period, including money market funds, bond-linked income certificates and Financing receivables. These products are of relatively short maturity, and their expected yields do not differ significantly from prevailing market interest rates; accordingly, cost is considered to approximate fair value and is therefore used as the basis for fair value measurement.

Contingent consideration is payable upon the completion of the earn-out arrangements. Given its short-term nature, cost is considered to approximate fair value and is therefore used as the basis for fair value measurement.

XII. Related Parties and Related-party Transactions

1. Parent company of the Company

Name of the parent company	Registered address	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent company	Proportion of the Company's voting right held by the parent company
Shaoxing Chengfeng Industrial Co., Ltd.	Shaoxing	Enterprise management consulting services	RMB20 million	43.32%	43.32%

Descriptions of the Company's parent company

The ultimate controlling party of the Company is Dong Jiangang.

Other information:

2. Subsidiaries of the Company

For details of the Company's subsidiaries, please refer to the disclosure on interests in other entities in the notes to the financial statements.

3. Joint ventures and associates of the Company

For details of the Company's significant joint ventures or associates, please refer to the disclosure on interests in other entities in the notes to the financial statements.

The details of other joint ventures or associates having related-party transactions and balances with the Company in the current period or prior periods are presented as follows:

Name of joint venture or associate	Relationship with the Company

Other information:

4. Other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company
Zhejiang Fulaite New Materials Co., Ltd.	Controlled subsidiary of Shaoxing Chengfeng Industrial Co., Ltd.
Tuson Company	Former minority shareholder of the subsidiary Tuson Precision, no longer held equity interest in Tuson Precision since October 2021
Du Luojie	Shareholder of Tuson Company
Du Zongda	Cousin of Du Luojie, shareholder of Asahiro International Limited
Tuson Machinery (Dongguan) Co., Ltd.	Former subsidiary of Tuson Company
Lizhi Precision Machinery (Dongguan) Co., Ltd.	Company controlled by Du Luojie and his spouse
Kunshan Hegang Metal Industry Co., Ltd.	Du Luojie serves as supervisor of this company
Jiashan Yinju Mingzhu Hotel Co., Ltd.	Company in which Du Luojie holds equity interest
Shenghong Technology Co., Ltd.	Company controlled by Du Zongda
Ningbo Delin Machinery Co., Ltd.	Company in which Shaoxing Shangyu Fenglongyuanzhi Equity Investment Partnership (Limited Partnership) holds 21.90% equity interest

Other information:

The Company completed the acquisition of the remaining 49% minority equity interest in Tuson Precision on October 8, 2021. Therefore, Tuson Company, the former minority shareholder of Tuson Precision, and the related parties of Du Luojie, the actual controller of Tuson Company, including Tuson Machinery (Dongguan) Co., Ltd., Lizhi Precision Machinery (Dongguan) Co., Ltd., Kunshan Hegang Metal Industry Co., Ltd., Jiashan Yinju Mingzhu Hotel Co., Ltd. and Shenghong Technology Co., Ltd., are no longer included in the scope of the Company's related parties from October 2022.

5. Related-party transactions

(1) Sales and purchase of goods, and rendering and receipt of services

Statement of purchase of goods/receipt of services

In RMB

Related party	Details of related-party transactions	Amount in the current period	Transaction quota approved	Whether exceeding the approved transaction amount	Amount in the prior period

Tuson Machinery (Dongguan) Co., Ltd.	Components and processing services	15,751,812.13	40,000,000.00	No	33,720,882.35
Tuson Company	Imported components	9,167,268.00	15,130,000.00	No	9,845,426.83
Zhejiang Fulaite New Materials Co., Ltd.	Surface treatment and other processing services	5,157,978.43	23,000,000.00	No	3,745,398.83
Shenghong Technology Co., Ltd.	Imported components	50,153.29	1,000,000.00	No	18,476.19
Jiashan Yinju Mingzhu Hotel Co., Ltd.	Catering and accommodation services	40,881.32	200,000.00	No	82,022.89
Kunshan Hegang Metal Industry Co., Ltd.	Heat treatment processing services, etc.	27,554.79	3,000,000.00	No	130,265.44

Statement of sales of goods/rendering of services

In RMB

Related party	Details of related-party transactions	Amount in the current period	Amount in the prior period
Tuson Company	Hydraulic valves and motor components, etc.	7,510,739.16	12,666,858.48
Ningbo Delin Machinery Co., Ltd.	Circuit boards and other components	4,006,825.60	8,167,220.52
Shenghong Technology Co., Ltd.	Motors and accessories, hydraulic valve components, etc.	1,480,411.99	2,190,687.89
Lizhi Precision Machinery (Dongguan) Co., Ltd.	Hydraulic valve components, etc.	48,500.00	467,388.50
Tuson Machinery (Dongguan) Co., Ltd.	Hydraulic valve components and steel, etc.	8,571.06	

Descriptions of related-party transactions with respect to the sales and purchase of goods, as well as rendering and receipt of services

The proposal on additional confirmation of certain continuing related party transactions for 2021 and forecast of continuing related party transactions for 2022 was approved at the 20th meeting of the second session of the Board of Directors and the 20th meeting of the second session of the Board of Supervisors held on January 25, 2022. The proposal on forecast of continuing related party transactions for 2023 was approved at the 8th meeting of the third session of the Board of Directors and the 5th meeting of the third session of the Board of Supervisors held on January 30, 2023. For details, please refer to the Announcement on Additional Confirmation of Certain Continuing Related Party Transactions for 2021 and Forecast of Continuing Related Party Transactions for 2022 (Announcement No.: 2022-007) and the Announcement on Forecast of Continuing Related Party Transactions for 2023 (Announcement No.: 2023-009) disclosed by the Company on the designated information disclosure media.

(2) Compensation for key officers

In RMB

Item	Amount in the current period	Amount in the prior period
Compensation for key officers	2,572,490.27	2,630,304.18

6. Receivables from and payables to related parties

(1) Accounts receivables

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Provisions for bad debts	Book balance	Provisions for bad debts
Accounts receivables	Ningbo Delin Machinery Co., Ltd.	634,633.18	31,731.66	7,018,986.74	350,949.34
Accounts receivables	Tuson Company			950,885.67	47,544.28
Accounts receivables	Shenghong Technology Co., Ltd.			478,981.79	23,949.09
Accounts receivables	Lizhi Precision Machinery (Dongguan) Co., Ltd.			154,721.86	7,736.09
Sub-total		634,633.18	31,731.66	8,603,576.06	430,178.80
Prepayments	Zhejiang Fulaite New Materials Co., Ltd.	343,554.36		103,726.29	

Sub-total		343,554.36		103,726.29	

(2) Accounts payables

In RMB

Item	Related party	Closing book balance	Opening book balance
Financial liabilities held for trading	Tuson Company		4,570,481.78
Sub-total			4,570,481.78
Accounts payables	Tuson Machinery (Dongguan) Co., Ltd.		7,856,964.07
Accounts payables	Tuson Company		429,326.10
Accounts payables	Kunshan Hegang Metal Industry Co., Ltd.		35,523.59
Accounts payables	Jiashan Yinju Mingzhu Hotel Co., Ltd.		16,346.00
Sub-total			8,338,159.76

XIII. Share-based payment

1. Overall information on share-based payment

☑Applicable ☐N/A

In RMB

Total equity instruments granted by the Company during the current period	0.00
Total equity instruments exercised by the Company during the current period	0.00
Total equity instruments lapsed during the current period	64,000.00
Range of exercise prices and remaining contractual life of stock options outstanding at period end	N/A
Range of exercise prices and remaining contractual life of other equity instruments outstanding at period end	N/A

Other information:

2. Equity-settled share-based payment

☑Applicable ☐N/A

In RMB

Method for determining fair value of equity instruments at grant date	Closing price of shares
Basis for determining the number of equity instruments expected to vest	Confirmed based on the number that employees can vest during the service period
Reasons for significant differences between current and prior period estimates	Performance targets not met
Cumulative amount of equity-settled share-based payment recognized in capital reserve	11,729,202.00
Total expenses recognized for equity-settled share-based payment during the current period	10,449,001.00

Other information:

According to the resolution of the Fourth Extraordinary General Meeting of Shareholders in 2021 and other relevant documents, the Company granted 3,180,077 restricted shares (including the reserved portion and reserved shares held on behalf, the same below) to 65 grantees including Wang Siyuan, at a grant price of RMB6.58 per share. All the restricted shares granted were sourced from treasury shares (A ordinary shares of the Company repurchased from the secondary market), of which the reserved portion amounted to 482,077 shares.

According to the Administrative Measures for the First Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd., the underlying shares acquired by the employee stock ownership plan through non-trade transfer and other methods permitted by laws and regulations shall be unlocked in three batches 12 months after the date when the employee stock ownership plan is approved by the general meeting of shareholders of the Company and the Company announces the transfer of the underlying shares to the employee stock ownership plan, subject to satisfaction of the following conditions:

(1) Time criteria

Unlock arrangement	Unlock date	Unlock proportion
First batch unlock date	12 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	40%
Second batch unlock date	24 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	30%
Third batch unlock date	36 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	30%

(2) Performance assessment criteria

Unlock arrangement	Performance assessment targets
First batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2021 shall be not less than 20%, or the net profit growth rate for 2021 shall be not less than 20%
Second batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2022 shall be not less than 40%, or the net profit growth rate for 2022 shall be not less than 40%
Third batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2023 shall be not less than 60%, or the net profit growth rate for 2023 shall be not less than 60%

(3) Individual performance assessment

The employee stock ownership plan will conduct performance assessment on individuals in accordance with the Company's relevant performance assessment system, and determine the final number of underlying shares to be unlocked by holders based on individual performance assessment results as follows:

Individual performance assessment results	80 (inclusive) - 100 points	60 (inclusive) - 80 points	Below 60 points
Corresponding individual unlock proportion	100%	60%	0%

The above share-based payment needs to be amortized in phases during the vesting period. The Fourth Extraordinary General Meeting of Shareholders in 2021 held on November 15, 2021 approved the employee stock ownership plan, and the date when the general meeting of shareholders passed the resolution is confirmed as the grant date. The period after the grant date is the vesting period. For simplification, the period from December 2021 to December 2024 is confirmed as the vesting period. The closing price of RMB15.34 on the grant date is taken as the fair market value. Employees of the Company purchase shares at prices lower than the fair market value. Due to the existence of the vesting period, the incentive cost will be recognized as costs and expenses in phases during the vesting period (from the grant date to the vesting date).

Assuming that employees do not resign subsequently, the amounts to be recognized as costs and expenses during the vesting period are as follows:

In RMB

Item	2021	2022	2023	2024
Share-based payment	1,280,201.00	10,449,001.00	2,307,384.00	2,115,102.00

As the Company's actual performance in 2022 did not meet the assessment criteria, the second batch of equity incentive (30% portion) is expected to be unable to be unlocked.

XIV. Commitments and Contingencies

1. Significant commitments

Significant commitments as of the balance sheet date

1. As of December 31, 2022, the actual investment of proceeds from the Company's initial public offering is as follows:

In RMB0'000

Committed investment project	Total project investment	Total committed investment from proceeds	Actual cumulative investment from proceeds
New R&D center project	4,391.03	3,987.65	3,440.21
New project for production of 16 million pieces of key components for garden machinery per annum	12,371.19	12,371.19	9,353.67
New project for production of 18 million pieces of automotive precision aluminum die-cast components per annum	6,523.93	6,523.93	4,483.89
Sub-total	23,286.15	22,882.77	17,277.77

2. As of December 31, 2022, the actual investment of proceeds from the Company's public issuance of convertible bonds is as follows:

In RMB0’000

Committed investment project	Total project investment	Total committed investment from proceeds	Actual cumulative investment from proceeds
Project for production of 3.25 million sets of hydraulic components per annum	21,927.34	18,832.16	8,292.67
Replenishment of working capital	5,000.00	5,000.00	5,000.00
Sub-total	26,927.34	23,832.16	13,292.67

2. Contingencies

(1) The Company shall also disclose if there are no significant contingencies requiring disclosure

The Company has no significant contingencies requiring disclosure.

XV. Events Subsequent to the Balance Sheet Date

1. Profit distribution

In RMB

Proposed distribution of profits or dividends	0.00
Dividends or profit distribution declared and approved for distribution	0.00
Profit distribution plan	According to the 9th meeting of the third session of the Board of Directors held on April 21, 2023, the Company will not distribute profit for 2022. The above matters need to be further submitted to the 2022 annual general meeting of shareholders for deliberation and approval before implementation.

2. Other events after the balance sheet date

(1) The 8th meeting of the third session of the Board of Directors approved that the Company and its subsidiaries will enter into continuing related party transactions with related parties Zhejiang Fulaite New Materials Co., Ltd. and Ningbo Ruilin Machinery Technology Co., Ltd. for production and operation needs in 2023, with a total transaction amount not exceeding RMB16.2 million.
(2) On March 20, 2023, the investment decision committee of Fenglongyuanzhi approved the proposal to exit all equity interests in Ningbo Delin Machinery Co., Ltd. (hereinafter referred to as "Ningbo Delin Company"). Ningbo Dingrui Industry and Trade Co., Ltd., the shareholding platform controlled by Lu Limeng and his spouse (the actual controllers of Ningbo Delin Company), will acquire all the shares of Ningbo Delin Company held by Fenglongyuanzhi. The total equity transfer consideration amounts to RMB41.057 million. The Company recovered the investment proceeds of RMB19.8162 million on March 31, 2023.

XVI. Other Significant Events

1. Segment information

(1) If the Company has no reportable segments, or cannot disclose the total assets and total liabilities of each reportable segment, the reasons shall be stated

The Company’s principal business is the production and sale of key components for garden machinery, automotive parts and hydraulic components. The Company manages this business as a whole and assesses its operating results accordingly. Therefore, the Company does not need to disclose segment information. The breakdown of the Company's revenue and cost of sales by product and by geographical area is as follows.

(1) Revenue disaggregated by type of goods or services

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Garden machinery	246,579,669.83	180,260,614.19	332,283,030.46	225,023,035.06

Automotive parts	123,929,934.42	106,507,763.77	157,398,475.08	123,042,491.59
Hydraulic components	172,596,968.65	133,456,230.12	173,827,534.39	129,769,752.80
Others	44,223,223.17	32,273,609.26	56,129,633.88	38,942,912.12
Sub-total	587,329,796.07	452,498,217.34	719,638,673.81	516,778,191.57

(2) Revenue disaggregated by geographical area

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Domestic	330,278,615.49	258,762,722.48	408,186,624.52	290,687,396.78
Overseas	257,051,180.58	193,735,494.86	311,452,049.29	226,090,794.79
Sub-total	587,329,796.07	452,498,217.34	719,638,673.81	516,778,191.57

2. Other significant transactions and matters that have an impact on investors' decisions

As of December 31, 2022, the share pledges of the Company's major shareholders and senior management are as follows:

Name of shareholder	Number of shares held at period end	Number of shares pledged at period end	Pledge ratio
Shaoxing Chengfeng Industrial Co., Ltd.	86,279,289	35,782,022	41.47%
Sub-total	86,279,289	35,782,022	41.47%

3. Others

Leases where the Company is the lessee

(1) For the Company's accounting policy for short-term leases and low-value asset leases, please refer to Note V.28 to these financial statements. The amounts of short-term lease expenses and low-value asset lease expenses recognized in profit or loss for the current period are as follows:

Item	Amount in the current period	Amount in the prior period
Short-term lease expenses	834,193.27	1,068,854.60
Total	834,193.27	1,068,854.60

(2) Current period profit or loss and cash flows related to leases

Item	Amount in the current period	Amount in the prior period
Total cash outflows related to leases	834,193.27	1,068,854.60

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

1. Accounts receivables

(1) Accounts receivables classified and disclosed

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl:										
Accounts receivables for which provision for bad debts is made by group	26,307,903.32	100.00%	1,315,395.17	5.00%	24,992,508.15	69,433,772.79	100.00%	3,471,688.64	5.00%	65,962,084.15
Incl.:										
Aging group	26,307,903.32	100.00%	1,315,395.17	5.00%	24,992,508.15	69,433,772.79	100.00%	3,471,688.64	5.00%	65,962,084.15
Total	26,307,903.32	100.00%	1,315,395.17	5.00%	24,992,508.15	69,433,772.79	100.00%	3,471,688.64	5.00%	65,962,084.15

Provisions for bad debts made by group：Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	26,307,903.32	1,315,395.17	5.00%
Total	26,307,903.32	1,315,395.17	

Description of basis for determining the group:

If the provision for bad debts on Accounts receivables is made in accordance with the general model of expected credit loss, please disclose relevant information on the provision for bad debts by reference to the disclosure approach for other receivables:

☐Applicable ☑N/A

Disclosure by aging

In RMB

Aging	Book balance
Within 1 year (inclusive)	26,307,903.32
Total	26,307,903.32

(2) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts made by group	3,471,688.64	-2,156,293.47				1,315,395.17
Total	3,471,688.64	-2,156,293.47				1,315,395.17

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Method of recovery

(3) Accounts receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant Accounts receivables that are written off:

In RMB

Entity	Nature of Accounts receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of Accounts receivables written off:

No Accounts receivables were written off during the current period.

(4) Top five closing balances of Accounts receivables categorized by debtor

In RMB

Entity	Closing balance of Accounts receivables	Proportion of total closing balance of Accounts receivables	Closing balance of provisions for bad debts
Global Sales Group	10,442,954.42	39.70%	522,147.72
Andreas Stihl Power Tools (Qingdao) Co., Ltd.	5,223,153.87	19.85%	261,157.69
Zhejiang Painier Technology Co., Ltd.	2,668,554.66	10.14%	133,427.73
Techtronic Cordless GP	1,545,952.83	5.88%	77,297.64
Yongkang Meilin Machinery Co., Ltd.	1,171,235.00	4.45%	58,561.75
Total	21,051,850.78	80.02%	

(5) Assets and liabilities arising from transfer of Accounts receivables with continuing involvement

None

Other information:

(6) Accounts receivables derecognized due to transfer of financial assets

None

2. Other receivables

In RMB

Item	Closing balance	Opening balance
Other receivables	178,172,686.85	162,991,773.09
Total	178,172,686.85	162,991,773.09

(1) Other receivables

1) Category of other receivables by nature

In RMB

Nature	Closing book balance	Opening book balance
Inter-company receivables	182,869,607.13	167,502,083.43
Export VAT refund receivable	324,456.21	
Suspense payments receivable	199,682.42	200,856.67

Security deposit	167,550.00	2,160,800.00
Total	183,561,295.76	169,863,740.10

2) Provision for bad debts

In RMB

Provisions for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2022	6,010,147.01		861,820.00	6,871,967.01
Balance as at January 1, 2022 during the current period				
- Transferred to Stage III		-19,968.24	19,968.24	
Current provision	-642,106.34	39,936.48	-881,188.24	-1,483,358.10
Balance as at December 31, 2022	5,368,040.67	19,968.24	600.00	5,388,608.91

Significant changes in the book balance of provision for impairment during the current period

☐Applicable ☑N/A

Disclosure by aging

In RMB

Aging	Book balance
Within 1 year (inclusive)	135,860,813.34
1-2 years	47,699,682.42
Over 3 years	800.00
3-4 years	400.00
4-5 years	400.00
Total	183,561,295.76

3) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Aging group	6,871,967.01	-1,483,358.10				5,388,608.91
Total	6,871,967.01	-1,483,358.10				5,388,608.91

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Method of recovery

4) Other receivables actually written off for the current period

In RMB

Item	Write-off amount

Descriptions of significant other receivables that are written off:

In RMB

Entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Descriptions of write-off of other receivables:

No other receivables were written off in the current period.

5) Top five closing balances of other receivables categorized by debtor

In RMB

Entity	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables	Closing balance of provisions for bad debts
Zhejiang Haolong Electric Co., Ltd.	Inter-company receivables	106,869,607.13	Within 1 year	58.22%	5,343,480.36
Tuson Precision	Convertible bond borrowings	76,000,000.00	Within 1 year. 1-2 years	41.41%	
State Treasury of the People's Republic of China, Shangyu District Sub-treasury, Shaoxing	Export VAT refund receivable	324,456.21	Within 1 year	0.18%	16,222.81
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch	Suspense payments receivable	199,682.42	1-2 years	0.11%	19,968.24
Zhejiang Zhongjian Technology Co., Ltd.	Security deposit	105,000.00	Within 1 year	0.06%	5,250.00
Total		183,498,745.76		99.98%	5,384,921.41

6) Receivables related to government grants

In RMB

Entity	Name of government grant item	Closing balance	Aging at period end	Expected time of collection, amount and basis

None

7) Other receivables derecognized due to transfer of financial assets

None

8) Assets and liabilities arising from transfer of other receivables with continuing involvement

None

Other information:

3. Long-term equity investments

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	275,635,774. 47		275,635,774. 47	270,148,026. 47		270,148,026. 47
Investments in associates and joint ventures	20,559,811.20		20,559,811.20	18,528,447.60		18,528,447.60
Total	296,195,585. 67		296,195,585. 67	288,676,474. 07		288,676,474. 07

(1) Investments in subsidiaries

In RMB

Investees	Opening balance (Carrying value)	Changes during the current period				Closing balance (Carrying value)	Closing balance of provision for impairment
		Additional investment	Decreased investment	Provision for impairment	Others		
Fenglong Motors (Hong Kong) Limited	32,397,850.00					32,397,850.00	
Zhejiang Haolong Electric Co., Ltd.	46,977,355.99				1,464,088. 00	48,441,443.99	
Shaoxing Yicheng Motor Co., Ltd.	3,634,985. 01				692,259.00	4,327,244. 01	
Tuson Precision	186,105,569.47				2,060,863. 00	188,166,432.47	
Hangzhou Fenglong Technology Co., Ltd.	1,032,266. 00	1,000,000. 00			270,538.00	2,302,804. 00	
Total	270,148,026.47	1,000,000. 00			4,487,748. 00	275,635,774.47	

(2) Investments in associates and joint ventures

In RMB

Investee	Opening balance (carrying value)	Changes during the current period								Closing balance (carrying value)	Closing balance of provision for impairment
		Additional investment	Decreased investment	Share of profit or loss under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distribution	Provision for impairment	Others		
I. Joint ventures											
II. Associates											
Fenglongyu anzhi Partnership	18,528,447.60			2,031, 363.60						20,559,811.20	
Sub-total	18,528,447.60			2,031, 363.60						20,559,811.20	
Total	18,528,447.60			2,031, 363.60						20,559,811.20	

(3) Other information

For investments in subsidiaries, RMB4,487,748.00 represents share-based payment transactions within the group where the parent company is the settler, and should be recognized as long-term equity investments in subsidiaries.

4. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	231,415,866.72	171,959,379.76	343,142,300.69	246,731,769.43
Other business	928,292.94	99,829.40	1,620,314.50	670,387.89
Total	232,344,159.66	172,059,209.16	344,762,615.19	247,402,157.32

Information on revenue:

In RMB

Category of contract	Segment 1	Segment 2		Total
Types of goods				232,344,159.66
Incl.:				
Garden machinery				220,506,836.55
Others				11,837,323.11
By operating region				232,344,159.66
Incl.:				
Domestic				123,944,080.11
Overseas				108,400,079.55
By market or customer type				
Incl.:				
By contract type				
Incl.:				
By transfer time of goods				232,344,159.66
Incl.:				
Revenue recognized at a point in time				232,344,159.66
By term of contract				
Incl.:				
By sales channel				
Incl.:				
Total				232,344,159.66

Information related to performance obligations:

The Company's principal business is the research and development, production and sales of garden machinery components, automotive parts and hydraulic components. For domestic sales of goods, the Company reconciles accounts with customers on a regular monthly basis or settles based on actual monthly usage under vendor-managed inventory arrangements, and the Company obtains an unconditional right to receive consideration after reconciliation. For overseas sales of goods, when the Company obtains the bill of lading, delivery receipt or settlement statement, the customer obtains control of the relevant goods and the Company obtains an unconditional right to receive consideration.

Information related to transaction prices allocated to remaining performance obligations:

The revenue corresponding to performance obligations under contracts signed but not yet performed or not yet fully performed as at the end of the reporting period amounts to RMB0.00.

Other information:

Revenue recognized during the current period that was included in the opening balance of contract liabilities amounted to RMB174,974.25.

5. Investment income

In RMB

Item	Amount in the current period	Amount in the prior period
Income from long-term equity investments under equity method	2,031,363.60	941,263.06
Investment income from disposal of long-term equity investments	-95,307.98	
Investment income from wealth management products	6,213,677.59	5,772,249.71
Interest on borrowings from related parties	2,746,036.40	1,246,570.16
Interest on bill discounting	-378,258.09	-92,123.53
Total	10,517,511.52	7,867,959.40

6. Others

(1) Research and development expenses

Item	Amount in the current period	Amount in the prior period
Employee benefits	5,892,886.46	5,485,749.94
Direct materials	4,202,718.43	9,325,699.59
Employee stock ownership plan	1,839,527.00	253,383.00
Depreciation and amortization	713,378.40	732,820.69
Utilities	374,659.77	443,304.41
Certification fees	233,899.50	184,748.95
Others	291,935.96	336,769.46
Total	13,549,005.52	16,762,476.04

XVIII. Supplementary information

1. Statement of non-recurring gain or loss for the current period

☑Applicable ☐N/A

In RMB

Item	Amount	Remark
Gain or loss on disposal of non-current assets	-391,469.16	
Government grants recognized in profit or loss (excluding government grants that are closely related to the Company's normal operating activities, comply with national policies and are continuously enjoyed at a fixed amount or quantity in accordance with certain standards)	7,961,563.02	
Gain or loss on investment or asset management by commissioned parties	2,765,376.11	
Gain or loss on changes in fair value arising from holding financial assets at fair value through profit or loss and financial liabilities at fair value through profit or	1,625,496.70	

loss, and investment income from disposal of financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets, except for effective hedging activities related to the Company's normal operating activities		
Other non-operating income and expenses other than the above items	-79,632.19	
Other gains and losses that meet the definition of non-recurring profit or loss	36,513.79	
Less: Effect on income tax	1,806,352.22	
Total	10,111,496.05	--

Details of other gain or loss items that meet the definition of non-recurring gain or loss:

☑Applicable ☐N/A

Refund of handling fees for withholding individual income tax amounting to RMB36,513.79 meets the definition of non-recurring profit or loss.

Explanations for classifying non-recurring gain or loss items enumerated in the Explanatory Announcement No. 1 for Public Company Information Disclosures – Non-recurring Profits and Losses as recurring gain or loss items

☐Applicable ☑N/A

2. Return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to the Company's ordinary shareholders	7.09%	0.24	0.23
Net profit attributable to the Company's ordinary shareholders after deduction of non-recurring gain or loss	5.61%	0.19	0.19

3. Accounting data differences arising from accounting standard of the PRC and the International Accounting Standards

(1) Differences in net profits and net assets in the financial reports disclosed concurrently under international accounting standards and Chinese accounting standards

☐Applicable ☑N/A

(2) Differences in net profits and net assets in the financial reports disclosed concurrently under overseas accounting standards and Chinese accounting standards

☐Applicable ☑N/A

(3) Explanation about the accounting data differences under overseas accounting standards and Chinese accounting standards, and if the data audited by a foreign firm have been reconciliated for such differences, name of such foreign firm

Zhejiang Fenglong Electric Co., Ltd.
Legal representative and Chairman: Dong Jiangang
April 21, 2023

Section X Financial Report

I. Audit Report

Audit opinion	Standard unqualified opinion
Signing date of audit report	March 22, 2024
Name of auditor	Pan-China Certified Public Accountants LLP
Number of audit report	Tian Jian Shen [2024] No. 545
Name of certified public accountants	Hu Yanhua, Fang Fang

Text of the Audit Report

Audit Report

Tian Jian Shen [2024] No. 545

To all shareholders of Zhejiang Fenglong Electric Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Zhejiang Fenglong Electric Co., Ltd. (hereinafter referred to as "Fenglong Electric" or "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2023, the consolidated and parent company income statements, cash flow statements and statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company financial position of Fenglong Electric as at December 31, 2023, and its consolidated and parent company financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Descriptions

Details of relevant information are disclosed in Note III (XXVI), V(II)1 to the financial statements.

The Company's operating revenue is primarily derived from key components for garden machinery, automotive parts, and hydraulic components. In 2023, the Company's operating revenue totalled RMB433.3304 million, of which domestic sales accounted for RMB281.9496 million (65.07% of operating revenue) and export sales amounted to RMB151.3808 million (34.93% of operating revenue).

As operating revenue is one of the Company's key performance indicators, there is an inherent risk that the Company's management (the "Management") may manipulate revenue recognition to achieve specific targets or expectations. Accordingly, we identified revenue recognition as a key audit matter.

2. Audit response

Our audit procedures related to revenue recognition included the following, among others:

(1) Understand the key internal controls related to revenue recognition, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Inspect sales contracts to understand principal contract terms and conditions, and assess the appropriateness of revenue recognition methods;

(3) Perform analytical procedures on operating revenue and gross margin by month, product and customer to identify material or unusual fluctuations and ascertain the causes;

(4) For domestic sales, examine on a sample basis supporting documentation, including sales contracts, orders, sales invoices, warehouse release notes, delivery notes, shipping documents and customer reconciliation statements; for export sales, obtain customs export certification documents and compare with accounting records, and examine on a sample basis supporting documentation including sales contracts, export customs declarations, bills of lading, sales invoices, delivery receipts and settlement statements;

(5) In conjunction with accounts receivables and contract asset confirmations, confirm sales amounts on a sample basis;

(6) Perform cut-off tests to evaluate whether revenue is recognized in the appropriate period;

(7) Obtain records of sales returns after the balance sheet date and examine whether there were instances where revenue recognition criteria were not met as at the balance sheet date;

(8) Obtain the Company's VAT export tax rebate schedules and perform matching analysis against export sales revenue;

(9) Examine freight and handling charges and outstanding balances with principal freight forwarders for the reporting period, and perform matching analysis between sales revenue and freight and handling charges;

(10) Review whether information related to operating revenue has been appropriately presented and disclosed in the financial statements.

(II) Impairment of accounts receivables

1. Descriptions

Details of relevant information are disclosed in Note III(XI) and Note V(I)4 to the financial statements.

As of December 31, 2023, Fenglong Electric had accounts receivables with a book balance of RMB124.4585 million, provisions for bad debts of RMB6.3499 million, and a carrying value of RMB118.1085 million.

Management measures the loss allowance for accounts receivables based on the credit risk characteristics of each accounts receivables on a collective basis, at an amount equal to lifetime expected credit losses. Given the materiality of accounts receivables and the significant Management judgement involved in assessing impairment, we identified the impairment of accounts receivables as a key audit matter.

2. Audit response

Our principal audit procedures related to impairment of accounts receivables included the following, among others:

(1) Understand the key internal controls related to impairment of accounts receivables, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review the outcome of management's estimates made in prior years regarding bad debt allowances, or Management's subsequent re-estimates;

(3) Review Management's considerations and objective evidence in assessing credit risk of accounts receivables, and evaluate whether Management has appropriately identified the credit risk characteristics of individual receivables;

(4) For accounts receivables measured on a collective basis, assess the reasonableness of Management's portfolio classification by credit risk characteristics; evaluate the reasonableness of the rate of expected credit loss determined by Management for accounts receivables, including the appropriateness of significant assumptions used and the appropriateness, relevance and reliability of the data; test the accuracy of Management's provisions for bad debts calculations;

(5) Evaluate the reasonableness of Management's provisions for bad debts in conjunction with accounts receivables confirmations and subsequent collections;

(6) Review whether information related to impairment of accounts receivables has been appropriately presented and disclosed in the financial statements.

(III) Net realizable value of inventories

1. Descriptions

Details of relevant information are disclosed in Note III(XII) and Note V(I)8 to the financial statements.

As of December 31, 2023, Fenglong Electric had inventories with a book balance of RMB145.0747 million, provision for decline in value of RMB11.3311 million, and a carrying value of RMB133.7437 million.

Inventories are measured at the lower of cost and net realizable value. Management determines net realizable value as estimated selling price less estimated costs to completion, estimated selling expenses and related taxes. As the carrying amount of inventories is material and the determination of net realizable value of inventories involves significant Management judgment, we identified the determination of net realizable value of inventories as a key audit matter.

2. Audit response

Our principal audit procedures related to net realizable value of inventories included the following, among others:

(1) Understand the key internal controls related to net realizable value of inventories, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review Management's estimates in prior years of net realizable value of inventories, and review the results or Management's subsequent re-estimates thereof;

(3) Evaluate on a sample basis the reasonableness of estimated selling prices of inventories, and review whether the estimated selling prices are consistent with sales contract prices, market selling prices, historical data, etc.;

(4) Assess the reasonableness of Management's estimates of costs to completion, selling expenses and related taxes for inventories;

(5) Test the accuracy of Management's calculations of net realizable value of inventories;

(6) In conjunction with physical inventory observation, identify whether there are circumstances such as extended aging, obsolete models, declining production volumes, fluctuations in production costs or selling prices, or changes in technology or market demand, and evaluate the reasonableness of management's estimates of net realizable value of inventories.

(7) Review whether information related to net realizable value of inventories has been appropriately presented and disclosed in the financial statements.

IV. Other Information

The Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

In preparing the financial statements, the Management is responsible for assessing Fenglong Electric's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Fenglong Electric or to cease operations, or have no realistic alternative but to do so.

Those charged with governance of Fenglong Electric ("those charged with governance") are responsible for overseeing Fenglong Electric's financial reporting process.

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Fenglong Electric's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fenglong Electric to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure, and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Fenglong Electric 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 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 for the current period and are therefore key audit matters. We describe these matters in our audit report unless laws or regulations preclude public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Certified Public Accountant: Hu Yanhua
(Engagement Partner)

Hangzhou, China

Certified Public Accountant: Fang Fang

March 22, 2024

II. Financial Statements

Statements in notes to the financial statements are dominated in RMB.

1. Consolidated balance sheet

Prepared by: Zhejiang Fenglong Electric Co., Ltd.

December 31, 2023

In RMB

Item	December 31, 2023	January 1, 2023
Current assets:		
Cash at bank and on	144,154,757.81	168,406,023.21
Balances with clearing agencies		
Placements with banks and other financial institutions		
Financial assets held for trading	133,242,000.00	129,391,836.06
Derivative financial assets		
Notes receivable	1,564,681.35	
Accounts receivables	118,108,511.96	118,256,397.27
Financing receivables	27,153,231.35	23,886,005.90
Prepayments	5,844,900.54	7,238,107.77
Premium receivable		
Amounts receivable under reinsurance contracts		
Reinsurer's share of insurance contract reserves		
Other receivables	762,226.77	1,293,286.20
Incl.: Interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	133,743,651.61	174,109,356.14

Contract assets	4,775,909.48	5,625,615.00
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	1,415,693.63	200,131.42
Total current assets	570,765,564.50	628,406,758.97
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		20,559,811.20
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	317,799,531.79	184,991,031.94
Construction in progress	151,576,296.64	222,954,579.83
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	64,332,993.00	67,540,861.51
Development expenditure		
Goodwill	9,032,465.28	9,209,196.75
Long-term prepaid expenses	1,009,087.39	1,662,580.05
Deferred tax assets	4,753,153.83	7,402,056.22
Other non-current assets	2,267,276.00	7,586,105.84
Total non-current assets	550,770,803.93	521,906,223.34
Total assets	1,121,536,368.43	1,150,312,982.31
Current liabilities:		
Short-term borrowings	42,034,268.06	89,040,578.47
Loans from the central bank		
Taking from banks and other financial institutions		
Financial liabilities held for trading		4,570,481.78
Derivative financial liabilities		
Notes payable	4,918,057.11	6,040,828.41
Accounts payables	113,648,730.94	92,913,316.86
Receipts in advance		
Contract liabilities	367,687.57	609,762.30
Financial assets sold under repurchase agreements		
Customer deposits and deposits from banks and other financial institutions		
Funds from securities trading agency		
Funds from underwriting securities agency		

Employee benefits payable	13,840,439.96	14,226,732.61
Taxes payable	5,941,432.39	5,063,394.39
Other payables	13,351,192.96	21,527,428.71
Incl.: Interest payable		
Dividends payable		
Fees and commissions payable		
Amounts payable under reinsurance contracts		
Held-for-sale liabilities		
Non-current liabilities to be settled within one year	2,078,800.80	1,707,792.77
Other current liabilities	46,460.39	79,269.10
Total current liabilities	196,227,070.18	235,779,585.40
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		
Bonds payable	150,278,560.00	199,569,868.19
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	4,403,083.75	3,329,501.33
Deferred tax liabilities	2,429,967.46	4,361,353.62
Other non-current liabilities		
Total non-current liabilities	157,111,611.21	207,260,723.14
Total liabilities	353,338,681.39	443,040,308.54
Owner's equity:		
Share capital	204,772,749.00	199,172,306.00
Other equity instruments	44,070,444.02	62,065,882.53
Incl.: Preference shares		
Perpetual bonds		
Capital reserve	202,564,691.11	130,603,143.67
Less: Treasury shares	12,554,944.00	20,924,906.66
Other comprehensive income	-447.50	-29,116.58
Special reserve		
Surplus reserve	27,186,161.35	27,186,161.35
General risk reserve		
Undistributed profit	302,159,033.06	309,199,203.46
Total equity attributable to owners of the parent company	768,197,687.04	707,272,673.77
Minority interests		
Total owners' equity	768,197,687.04	707,272,673.77
Total liabilities and owners' equity	1,121,536,368.43	1,150,312,982.31

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

2. Balance sheet of the parent company

In RMB

Item	December 31, 2023	January 1, 2023
Current assets:		
Cash at bank and on	72,633,362.27	124,534,461.01
Financial assets held for trading	80,000,000.00	86,392,836.06
Derivative financial assets		
Notes receivable		
Accounts receivables	24,243,888.66	24,992,508.15
Financing receivables	7,507,527.81	10,003,771.10
Prepayments	864,791.23	1,149,362.20
Other receivables	155,550,680.81	178,172,686.85
Incl.: Interest receivable		
Dividends receivable		
Inventories	33,528,017.99	40,688,309.19
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	705,077.21	199,517.96
Total current assets	375,033,345.98	466,133,452.52
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	275,027,830.47	296,195,585.67
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	176,485,009.98	29,522,220.70
Construction in progress	12,162,646.63	106,927,434.24
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	22,959,240.67	23,499,810.94
Development expenditure		
Goodwill		
Long-term prepaid expenses	557,164.19	733,904.07
Deferred tax assets	269,334.44	312,018.37
Other non-current assets	830,300.00	2,098,957.52
Total non-current assets	488,291,526.38	459,289,931.51
Total assets	863,324,872.36	925,423,384.03

Current liabilities:		
Short-term borrowings	1,000,962.50	36,037,186.11
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	4,918,057.11	36,140,828.41
Accounts payables	51,598,315.30	38,035,485.46
Receipts in advance		
Contract liabilities	231,397.75	609,762.30
Employee benefits payable	4,639,869.29	5,012,400.53
Taxes payable	3,686,045.84	406,459.27
Other payables	12,967,412.83	21,109,486.64
Incl.: Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities to be settled within one year	2,078,800.80	1,707,792.77
Other current liabilities	30,081.71	79,269.10
Total current liabilities	81,150,943.13	139,138,670.59
Non-current liabilities:		
Long-term borrowings		
Bonds payable	150,278,560.00	199,569,868.19
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	1,166,320.00	1,104,090.00
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	151,444,880.00	200,673,958.19
Total liabilities	232,595,823.13	339,812,628.78
Owner's equity:		
Share capital	204,772,749.00	199,172,306.00
Other equity instruments	44,070,444.02	62,065,882.53
Incl.: Preference shares		
Perpetual bonds		
Capital reserve	221,299,766.18	149,338,218.74
Less: Treasury shares	12,554,944.00	20,924,906.66
Other comprehensive income		
Special reserve		
Surplus reserve	26,831,248.95	26,831,248.95
Undistributed profit	146,309,785.08	169,128,005.69
Total owners' equity	630,729,049.23	585,610,755.25

Total liabilities and owners' equity	863,324,872.36	925,423,384.03

3. Consolidated income statement

In RMB

Item	2023	2022
I. Total operating revenue	433,330,404.19	587,329,796.07
Incl.: Operating revenue	433,330,404.19	587,329,796.07
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	434,696,828.78	551,754,678.24
Incl.: Operating cost	352,149,015.93	452,498,217.34
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims expenses		
Net provision for insurance contracts reserve		
Insurance policyholder dividends		
Expenses for reinsurance accepted		
Taxes and surcharges	4,590,963.89	3,276,812.75
Selling expenses	9,203,157.76	9,972,859.06
Administrative expenses	40,335,314.29	47,914,962.17
Research and development expenses	28,089,500.96	38,866,439.24
Financial expenses	328,875.95	-774,612.32
Incl.: Interest expenses	4,072,590.17	8,083,643.50
Interest income	1,657,585.34	904,517.62
Add: Other income	5,236,679.33	7,998,076.81
Investment income (loss is indicated by "-")	1,821,432.39	4,619,367.33
Incl.: Income from investments in associates and joint ventures	-657,654.90	2,031,363.60
Income from derecognition of financial assets measured at amortized cost		
Foreign exchange gains (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		
Gains from changes in fair value (loss is indicated by "-")	-52,377.66	1,720,804.68
Impairment losses of credit (loss is indicated by "-")	-371,525.19	4,782,444.13
Impairment losses of assets (loss is indicated by "-")	-7,774,535.93	-4,569,255.06
Gains from disposal of assets (loss is indicated by "-")	-219,328.27	-391,469.16

III. Operating profit (loss is indicated by "-")	-2,726,079.92	49,735,086.56
Add: Non-operating revenue	78,683.71	60,259.40
Less: Non-operating expenses	233,543.67	139,891.59
IV. Total profit (total losses are indicated by "-")	-2,880,939.88	49,655,454.37
Less: Income tax expense	4,159,230.52	1,063,018.05
V. Net profit (net loss is indicated by "-")	-7,040,170.40	48,592,436.32
(I) Categorized by the nature of continuing operation		
1. Net profit from continuing operations (net loss is indicated by "-")	-7,040,170.40	48,592,436.32
2. Net profit from discontinued operations (net loss is indicated by "-")		
(II) Categorized by ownership		
1. Net profit attributable to shareholders of the parent company	-7,040,170.40	48,592,436.32
2. Profit or loss attributable to minority interests		
VI. Other comprehensive income, net of tax	28,669.08	148,626.82
Other comprehensive income attributable to owners of the parent company, net of tax	28,669.08	148,626.82
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		
(II) Other comprehensive income that will be reclassified to profit or loss	28,669.08	148,626.82
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies	28,669.08	148,626.82
7. Others		
Other comprehensive income attributable to minority interests, net of tax		
VII. Total comprehensive income	-7,011,501.32	48,741,063.14
Total comprehensive income attributable to owners of the parent company	-7,011,501.32	48,741,063.14
Total comprehensive income attributable to minority interests		
VIII. Earnings per share		
(I) Basic earnings per share	-0.04	0.24
(II) Diluted earnings per share	-0.02	0.23

With respect to the business mergers involving entities under common control consummated in the current period, the net profit of the acquirees was nil prior to the merger, and nil in the prior period.
Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

4. Income statement of the parent company

In RMB

Item	2023	2022
I. Operating revenue	117,902,649.91	232,344,159.66
Less: Operating cost	99,681,010.98	172,059,209.16
Taxes and surcharges	728,213.60	1,155,621.07
Selling expenses	3,600,503.97	5,225,416.49
Administrative expenses	16,689,948.81	21,277,547.35
R&D expenses	6,764,587.89	13,549,005.52
Financial expenses	13,811,090.71	12,564,029.28
Incl.: Interest expenses	15,470,586.66	18,048,816.43
Interest income	1,407,345.00	1,238,659.69
Add: Other income	2,509,490.09	4,902,417.42
Investment income (loss is indicated by "-")	5,852,113.83	10,517,511.52
Incl.: Income from investments in associates and joint ventures	-657,654.90	2,031,363.60
Income from derecognition of financial assets measured at amortized cost (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		
Gains from changes in fair value (loss is indicated by "-")	-52,377.66	1,720,804.68
Impairment losses of credit (loss is indicated by "-")	1,366,918.47	3,639,651.57
Impairment losses of assets (loss is indicated by "-")	-5,406,342.36	-849,264.76
Gains from disposal of assets (loss is indicated by "-")	-153,084.97	-43,402.85
II. Operating profit (loss is indicated by "-")	-19,255,988.65	26,401,048.37
Add: Non-operating revenue	735.36	4.34
Less: Non-operating expenses	210,798.27	100,026.02
III. Total profit (total losses are indicated by "-")	-19,466,051.56	26,301,026.69
Less: Income tax expense	3,352,169.05	893,642.63
IV. Net profit (net loss is indicated by "-")	-22,818,220.61	25,407,384.06
(I) Net profit from continuing operations (net loss is indicated by "-")	-22,818,220.61	25,407,384.06
(II) Net profit from discontinued operations (net loss is indicated by "-")		
V. Other comprehensive income, net of tax		

(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		
(II) Other comprehensive income that will be reclassified to profit or loss		
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies		
7. Others		
VI. Total comprehensive income	-22,818,220.61	25,407,384.06
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated statements of cash flows

In RMB

Item	2023	2022
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	466,030,225.76	682,381,651.11
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from the central bank		
Net increase in taking from banks and other financial institutions		
Cash receipts from premiums under direct insurance contracts		
Net cash receipts from reinsurance business		
Net cash receipts from policyholders' deposits and investment contract liabilities		
Cash receipts from interest, fees and commissions		
Net increase in taking from banks and other financial institutions		
Net increase in financial assets sold under repurchase arrangements		
Net cash received from securities trading agency		
Receipts of tax refunds	8,183,029.03	15,284,641.03
Other cash receipts relating to operating activities	24,439,115.48	45,013,030.56
Sub-total of cash inflows from operating activities	498,652,370.27	742,679,322.70
Cash payments for goods purchased and services received	288,401,104.07	433,476,165.68
Net increase in loans and advances to customers		
Net increase in balance with the central bank and due from banks and other financial institutions		
Cash payments for claims and policyholders' benefits under direct insurance contracts		

Net increase in placements with banks and other financial institutions		
Cash payments for interest, fees and commissions		
Cash payments for insurance policyholder dividends		
Cash payments to and on behalf of employees	92,968,930.16	103,029,677.94
Payment of various types of taxes	13,459,232.43	9,646,097.27
Other cash payments relating to operating activities	31,282,145.54	54,130,995.23
Sub-total of cash outflows from operating activities	426,111,412.20	600,282,936.12
Net cash flows from operating activities	72,540,958.07	142,396,386.58
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	951,927,154.55	600,129,000.00
Cash receipts from investment income	6,342,115.76	2,765,376.11
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	26,730.00	138,064.16
Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities		1,740,000.00
Sub-total of cash inflows from investing activities	958,296,000.31	604,772,440.27
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	63,423,051.26	98,129,579.20
Cash payments to acquire investments	937,354,000.00	490,128,000.00
Net increase in pledged loans receivable		
Net cash payments for acquisitions of subsidiaries and other business entities		
Other cash payments relating to investing activities	4,500,000.00	
Sub-total of cash outflows from investing activities	1,005,277,051.26	588,257,579.20
Net cash flows from investment activities	-46,981,050.95	16,514,861.07
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Incl.: Cash received by subsidiaries from minority shareholders' investments		
Cash receipts from borrowings	63,000,000.00	199,268,555.57
Other cash receipts relating to financing activities		
Sub-total of cash inflows from financing activities	63,000,000.00	199,268,555.57
Cash repayments of borrowings	110,000,000.00	301,213,379.98
Cash payments for distribution of dividends or profits or settlement of interest expenses	2,800,393.94	25,963,411.77
Incl.: Dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	112,800,393.94	327,176,791.75
Net cash flows from financing activities	-49,800,393.94	-127,908,236.18
IV. Effect of foreign exchange rate changes on cash and cash equivalents	2,224,990.40	5,020,715.08
V. Net increase in cash and cash equivalents	-22,015,496.42	36,023,726.55
Add: Opening balance of cash and cash equivalents	164,537,128.22	128,513,401.67
VI. Closing balance of cash and cash equivalents	142,521,631.80	164,537,128.22

6. Statement of cash flows of the parent company

In RMB

Item	2023	2022

I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	132,545,901.97	302,308,866.54
Receipts of tax refunds	4,118,759.18	7,741,556.38
Other cash receipts relating to operating activities	20,741,652.01	42,682,135.43
Sub-total of cash inflows from operating activities	157,406,313.16	352,732,558.35
Cash payments for goods purchased and services received	128,727,941.59	177,431,231.13
Cash payments to and on behalf of employees	27,441,750.28	31,940,008.75
Payment of various types of taxes	3,008,715.28	2,769,416.71
Other cash payments relating to operating activities	22,774,676.98	44,112,802.72
Sub-total of cash outflows from operating activities	181,953,084.13	256,253,459.31
Net cash flows from operating activities	-24,546,770.97	96,479,099.04
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	254,816,154.55	510,000,000.00
Cash receipts from investment income	4,444,125.23	6,541,296.17
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	202,479.53	12,200.00
Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities	118,599,981.49	217,959,018.29
Sub-total of cash inflows from investing activities	378,062,740.80	734,512,514.46
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	44,731,313.16	60,779,553.35
Cash payments to acquire investments	230,000,000.00	381,000,000.00
Net cash payments for acquisitions of subsidiaries and other business entities		
Other cash payments relating to investing activities	91,165,111.05	228,675,743.42
Sub-total of cash outflows from investing activities	365,896,424.21	670,455,296.77
Net cash flows from investment activities	12,166,316.59	64,057,217.69
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Cash receipts from borrowings	21,000,000.00	111,000,000.00
Other cash receipts relating to financing activities	3,000,000.00	58,000,000.00
Sub-total of cash inflows from financing activities	24,000,000.00	169,000,000.00
Cash repayments of borrowings	56,000,000.00	219,380,254.98
Cash payments for distribution of dividends or profits or settlement of interest expenses	2,581,735.81	25,424,681.14
Other cash payments relating to financing activities	3,000,000.00	60,000,000.00
Sub-total of cash outflows from financing activities	61,581,735.81	304,804,936.12
Net cash flows from financing activities	-37,581,735.81	-135,804,936.12
IV. Effect of foreign exchange rate changes on cash and cash equivalents	296,860.43	2,533,284.85
V. Net increase in cash and cash equivalents	-49,665,329.76	27,264,665.46
Add: Opening balance of cash and cash equivalents	120,665,566.02	93,400,900.56
VI. Closing balance of cash and cash equivalents	71,000,236.26	120,665,566.02

7. Consolidated statement of changes in owners' equity

Amount in the current period

In RMB

Item	2023														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	199, 172, 306. 00			62,065,882.53	130, 603, 143. 67	20,924,906.66	- 29,116.58		27,186,161.35		309, 199, 203. 46		707, 272, 673. 77		707, 272, 673. 77
Add: Changes in accounting policies															
Corrections of prior period errors															
Others															
II. Opening balance of the current year	199, 172, 306. 00			62,065,882.53	130, 603, 143. 67	20,924,906.66	- 29,116.58		27,186,161.35		309, 199, 203. 46		707, 272, 673. 77		707, 272, 673. 77
III. Changes for the current period (decrease is indicated by "-")	5,600,443.00			- 17,995,438.51	71,961,547.44	- 8,369,962.66	28,669.08				- 7,040,170.40		60,925,013.27		60,925,013.27
(I) Total comprehensive income							28,669.08				- 7,040,170.40		- 7,011,501.32		- 7,011,501.32
(II) Owners' contributions and reduction in capital	5,600,443.00			- 17,995,438.51	71,961,547.44	- 8,369,962.66							67,936,514.59		67,936,514.59
1. Ordinary shares contributed by owners					74,236,957.44								74,236,957.44		74,236,957.44
2.Capital contribution from holders of other equity instruments	5,600,443.00			- 17,995,438.51									- 12,394,995.51		- 12,394,995.51
3. Share-based payment recognized in owners' equity					- 2,275,410.00								- 2,275,410.00		- 2,275,410.00
4. Others						- 8,369,962.66							8,369,962.66		8,369,962.66
(III) Profit distribution															
1. Transfer to surplus reserve															
2. Transfer to general risk reserve															
3. Distributions to owners (shareholders)															

4. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve (or conversion to share capital)															
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the current period															
2. Amount utilized in the current period															
(VI) Others															
IV. Closing balance of the current period	204, 772, 749. 00			44,070,444.02	202, 564, 691. 11	12,554,944.00	- 447. 50		27,186,161.35		302, 159, 033. 06		768, 197, 687. 04		768, 197, 687. 04

Amount in the prior period

In RMB

Item	2022														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	199, 140, 144. 00			62,169,270.38	119, 752, 821. 43	20,924,906.66	- 177, 743. 40		24,645,422.94		283, 061, 540. 25		667, 666, 548. 94		667, 666, 548. 94
Add: Changes in accounting policies															
Corrections of prior period errors															
Others															
II. Opening balance of the current year	199, 140, 144. 00			62,169,270.38	119, 752, 821. 43	20,924,906.66	- 177, 743. 40		24,645,422.94		283, 061, 540. 25		667, 666, 548. 94		667, 666, 548. 94
III. Changes for the current period (decrease is indicated by "-")	32,162.00			- 103, 387. 85	10,850,322.24		148, 626. 82		2,540,738.41		26,137,663.21		39,606,124.83		39,606,124.83
(I) Total comprehensive income							148, 626. 82				48,592,436.32		48,741,063.14		48,741,063.14
(II) Owners' contributions and reduction in	32,162.00			- 103, 387. 85	10,850,322.24								10,779,096.39		10,779,096.39

capital															
1. Ordinary shares contributed by owners					401, 321. 24								401, 321. 24		401, 321. 24
2.Capital contribution from holders of other equity instruments	32,162.00			- 103, 387.85									- 71,225.85		- 71,225.85
3. Share-based payment recognized in owners' equity					10,449,001.00								10,449,001.00		10,449,001.00
4. Others															
(III) Profit distribution									2,540,738.41		- 22,454,773.11		- 19,914,034.70		- 19,914,034.70
1. Transfer to surplus reserve									2,540,738.41		- 2,540,738.41				
2. Transfer to general risk reserve															
3. Distributions to owners (shareholders)											- 19,914,034.70		- 19,914,034.70		- 19,914,034.70
4. Others															
(IV) Transfers within owners' equity															

1. Capitalization of capital reserve (or conversion to share capital)															
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the period															

2. Amount utilized in the period															
(VI) Others															
IV. Closing balance of the current period	199, 172, 306.00			62,065,882.53	130, 603, 143. 67	20,924,906.66	- 29,116.58		27,186,161.35		309, 199, 203.46		707, 272, 673.77		707, 272, 673.77

8. Statement of changes in owners' equity of the parent company

Amount in the current period

In RMB

Item	2023											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the prior year	199,172,306.00			62,065,882.53	149,338,218.74	20,924,906.66			26,831,248.95	169,128,005.69		585,610,755.25
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	199,172,306.00			62,065,882.53	149,338,218.74	20,924,906.66			26,831,248.95	169,128,005.69		585,610,755.25
III. Changes for the current period (decrease is indicated by "-")	5,600,443. 00			- 17,995,438.51	71,961,547.44	- 8,369,962. 66				- 22,818,220.61		45,118,293.98
(I) Total comprehensive income										- 22,818,220.61		- 22,818,220.61

(II) Owners' contributions and reduction in capital	5,600,443. 00			- 17,995,438.51	71,961,547.44	- 8,369,962. 66						67,936,514.59
1. Ordinary shares contributed by owners					74,236,957.44							74,236,957.44
2. Capital contribution from holders of other equity instruments	5,600,443.00			- 17,995,438.51								- 12,394,995.51
3. Share-based payment recognized in owners' equity					- 2,275,410. 00							- 2,275,410. 00
4. Others						- 8,369,962. 66						8,369,962. 66
(III) Profit distribution												
1. Transfer to surplus reserve												
2. Distributions to owners (shareholders)												
3.Others												
(IV) Transfers within owners' equity												
1. Capitalization of capital reserve (or conversion to share capital)												
2. Capitalization of surplus reserve (or conversion to share capital)												
3. Loss offset by surplus reserve												

4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive income												
6.Others												
(V) Special reserve												
1. Transfer to special reserve in the current period												
2. Amount utilized in the current period												
(VI) Others												
IV. Closing balance of the current period	204,772,749.00			44,070,444.02	221,299,766.18	12,554,944.00			26,831,248.95	146,309,785.08		630,729,049.23

Amount in the prior period

In RMB

Item	2022											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the prior year	199,140,144.00			62,169,270.38	138,487,896.50	20,924,906.66			24,290,510.54	166,175,394.74		569,338,309.50
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	199,140,144.00			62,169,270.38	138,487,896.50	20,924,906.66			24,290,510.54	166,175,394.74		569,338,309.50
III. Changes for the current period (decrease is indicated by "-")	32,162.00			- 103,387.85	10,850,322.24				2,540,738. 41	2,952,610. 95		16,272,445.75
(I) Total comprehensive income										25,407,384.06		25,407,384.06
(II) Owners' contributions and reduction in capital	32,162.00			- 103,387.85	10,850,322.24							10,779,096.39
1. Ordinary shares contributed by owners					401,321.24							401,321.24
2.Capital contribution from holders of other equity instruments	32,162.00			- 103,387.85								- 71,225.85
3. Share-based payment recognized in owners' equity					10,449,001.00							10,449,001.00
4. Others												
(III) Profit distribution									2,540,738. 41	- 22,454,773.11		- 19,914,034.70
1. Transfer to surplus reserve									2,540,738. 41	- 2,540,738. 41		

2. Distributions to owners (shareholders)										- 19,914,034.70		- 19,914,034.70
3. Others												
(IV) Transfers within owners' equity												
1. Capitalization of capital reserve (or conversion to share capital)												
2. Capitalization of surplus reserve (or conversion to share capital)												
3. Loss offset by surplus reserve												
4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive income												
6.Others												
(V) Special reserve												
1. Transfer to special reserve in the current period												
2. Amount utilized in the current period												
(VI) Others												
IV. Closing balance of the current period	199,172,306.00			62,065,882.53	149,338,218.74	20,924,906.66			26,831,248.95	169,128,005.69		585,610,755.25

III. Basic Information of the Company

Zhejiang Fenglong Electric Co., Ltd. (hereinafter referred to as "the Company") was formerly Shaoxing Fenglong Motor Co., Ltd. (hereinafter referred to as "Fenglong Motor"). Using January 31, 2016 as the reference date, Fenglong Motor was restructured in its entirety into a joint stock company and was registered with the Shaoxing Administration for Market Regulation on April 11, 2016. The Company is headquartered in Shaoxing, Zhejiang Province. The Company currently holds a business license with Unified Social Credit Code 913306047498339794, with registered capital of RMB199.0912 million and total share capital of 204,772,749 shares (par value of RMB1 per share). Of these, restricted tradable shares comprise 18,496,339 A shares, and unrestricted tradable shares comprise 186,276,410 A shares. The Company's shares were listed on the Shenzhen Stock Exchange on April 3, 2018.

The Company operates in the special equipment manufacturing industry. Its principal activities include the research and development, production and sales of garden machinery components, automotive parts and hydraulic components. Major products include key components for garden machinery such as igniters, flywheels and cylinders, precision aluminium die-cast automotive components, and hydraulic components.

These financial statements were approved for issue by the 17th meeting of the Company's third Board of Directors on March 22, 2024.

IV. Basis of Preparation of Financial Statements

1. Basis of preparation

The Company's financial statements are prepared on a going-concern basis.

2. Going-concerning

The Company has detected no events or circumstances that may cast significant doubt upon its ability to continue as a going concern within 12 months from the reporting period.

V. Significant Accounting Policies and Accounting Estimates

Reminders on specific accounting policies and accounting estimates:

Important note: The Company has formulated the specific accounting policies and made the specific accounting estimates with respect to the impairment of financial instruments, inventories, depreciation of fixed assets, construction in progress, intangible assets, recognition of revenues and other transactions and events according to the actual production and operation characteristics of the Company.

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

The financial statements prepared by the Company conform to 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 related information.

2. Accounting period

The Company's accounting year is from January 1 to December 31 of each calendar year.

3. Operating cycle

The Company has a relatively short operating cycle, and determines the liquidity of assets and liabilities on the basis of 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt RMB as its functional currency, while Fenglong Motors (Hong Kong) Limited (hereinafter referred to as "Fenglong Hong Kong"), an overseas subsidiary engaged in foreign operations, determines its functional currency based on the currency of the primary economic environment in which it operates.

5. Method for determining materiality thresholds and basis for selection

☑Applicable ☐N/A

Item	Materiality Threshold
Significant construction in progress projects	The Company considers construction in progress with an individual amount exceeding 0.5% of total assets as significant
Significant Accounts payables aged over 1 year	The Company considers Accounts payables aged over 1 year with an individual amount exceeding 0.5% of total assets as significant
Significant other payables aged over 1 year	The Company considers other payables aged over 1 year with an individual amount exceeding 0.5% of total assets as significant
Significant investing cash flows	The Company considers investing cash flows with an individual amount exceeding 0.5% of total assets as significant

6. Accounting treatment of business mergers involving entities under common control and business mergers not involving entities under common control

1. Accounting treatment of business merger involving entities under common control

Assets and liabilities that are obtained by the Company in a business merger shall be measured at their carrying values in the consolidated financial statements of the ultimate controller at the merger date as recorded by the acquiree. The difference between the carrying value of the owners' equity of the acquiree as stated in the consolidated financial statements of the ultimate controller and the carrying value of the total consideration paid or total par value of the shares issued in connection with the merger is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

2. Accounting treatment of business mergers not involving entities under common control

Where the cost of the merger exceeds the Company's share of the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill at the date of acquisition. Where the cost of merger is lower than the Company's share of the fair value of the acquiree's identifiable net assets, the Company reviews the measurement of the fair value of each of the identifiable assets, liabilities and provisions acquired from the acquiree and the cost of merger, and if the cost of merger as reviewed is still lower than the Company's share of the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period.

7. Criteria for determining control and method for preparing consolidated financial statements

1. Determination of control

Control is determined when the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

2. Method of preparation of consolidated financial statements

The parent company includes all of its controlled subsidiaries in its consolidated financial statements. The consolidated financial statements are prepared by the parent company in accordance with the Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements, on the basis of the respective financial statements of the parent company and its subsidiaries, by reference to other relevant data.

8. Recognition of cash and cash equivalents

For the purpose of the statement of cash flows, cash comprises cash on hand and demand deposits, and cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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

1. Translation of foreign currency transactions

Upon initial recognition, foreign currency transactions are translated into RMB using the spot exchange rates or approximations thereto at the transaction dates. At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates at the balance sheet date. Translation differences of financial statements denominated in foreign currencies are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets and accrued interest. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates approximating those prevailing at the transaction dates, without adjusting the amounts in RMB. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates prevailing at the dates the fair value was determined, and translation differences of financial statements denominated in foreign currencies are recognized in profit or loss for the current period or other comprehensive income.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet are translated at the spot exchange rates at the balance sheet date. The owners' equity items other than "undistributed profits" are translated at the spot exchange rates at the transaction dates. The income and expense items in the income statements are translated at the spot exchange rates or approximations thereto at the transaction dates. Translation differences of financial statements denominated in foreign currencies are recognized in other comprehensive income.

10. Financial instruments

1. Classification of financial assets and financial liabilities

Upon initial recognition, financial assets are classified into: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss.

Upon initial recognition, financial liabilities are classified into: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred; (3) financial guarantee contracts not falling under items (1) or (2), and loan commitments not falling under item (1) and below market interest rate; and (4) financial liabilities at amortized cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Recognition and initial measurement of financial assets and financial liabilities

When the Company becomes a party to a financial instrument contract, a financial asset or liability is recognized. Financial assets and liabilities are initially measured at fair value. Transaction costs relating to financial assets or liabilities at fair value through profit or loss are directly recognized in profit or loss for the current period. Transaction costs relating to other kinds of financial

assets or liabilities are included in their initially recognized amount. However, where accounts receivables that do not contain any significant financing component upon initial recognition, or where the Company does not take into consideration any financing component under contracts with a term of no more than one year, such accounts receivables are initially measured at the transaction price as defined in the Accounting Standards for Business Enterprises No. 14 - Revenue.

(2) Subsequent measurement of financial assets

1) Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Gains or losses on financial assets at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition, reclassification, amortization using the effective interest method or recognition of impairment.

2) Investments in debt instruments at fair value through other comprehensive income

These investments in debt instruments are subsequently measured at fair value. Interest, impairment losses or gains and foreign exchange gains or losses calculated using the effective interest method are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed out from other comprehensive income and included in profit or loss for the current period.

3) Investments in equity instruments at fair value through other comprehensive income

These investments in equity instruments are subsequently measured at fair value. Dividends received (other than those received as recovery of investment cost) are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed out from other comprehensive income and included in retained earnings.

4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently measured at fair value. Gains or losses thereon, including interest and dividend income, are recognized in profit or loss for the current period, except the financial assets belonging to any hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives classified as financial liabilities), and financial liabilities directly designated as at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities designated as at fair value through profit or loss arising out of changes in the Company's credit risk are recognized in other comprehensive income, unless such treatment will result in or increase any accounting mismatch in profit or loss. Other gains or losses on such financial liabilities, including interest expenses and changes in fair value not arising out of changes in the Company's credit risk, are recognized in profit or loss for the current period, except the financial liabilities belonging to any hedging relationship. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed out from other comprehensive income and included in retained earnings.

2) Financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred

Such financial liabilities are measured in accordance with the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

3) Financial guarantee contracts not falling under items 1) or 2) above, and loan commitments not falling under item 1) above and below market interest rate

Such financial liabilities are subsequently measured at the higher of ① provision for impairment losses determined according to the policy for impairment of financial instruments; and ② balance of the initially recognized amount after deduction of the accumulated amortization determined in accordance with Accounting Standards for Business Enterprises No. 14 - Revenue.

4) Financial liabilities at amortized cost

Such financial liabilities are measured at amortized cost using the effective interest method. Gains or losses on financial liabilities at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition or amortization using the effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

① the contractual right to receive cash flows from the financial assets has expired;

② the financial assets have been transferred and such transfer meets the criteria for derecognition of financial assets as set forth in the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

2) A financial liability (or part thereof) is derecognized when all or part of the present obligations thereon have been discharged.

3. Determination and measurement of financial assets transferred

When a financial asset of the Company is transferred, if substantially all the risks and rewards incidental to the ownership of the financial asset have been transferred, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be). If the Company retains substantially all the risks and rewards of ownership of a financial asset, the Company shall not derecognize the financial asset. If the Company neither transferred nor retained a substantial portion of all risks and rewards incidental to the ownership of the financial asset, then: (1) if the Company does not retain control over the financial asset, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be); and (2) if the Company retains control over the financial asset, the financial asset continues to be recognized to the extent of the Company's continuing involvement in the financial asset transferred, and a corresponding liability is recognized.

If an entire transfer of a financial asset meets the criteria for derecognition, the difference between (1) the carrying value of the financial asset transferred at the date of derecognition; and (2) the sum of the consideration received from the transfer of the financial asset and the portion of the cumulative amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period. If part of a financial asset is transferred and the part transferred entirely meets the criteria for derecognition, the total carrying value of the financial asset immediately prior to the transfer is allocated between the part derecognized and the part not derecognized in proportion to their relative fair value at the date of transfer, and the difference between (1) the carrying value of the part derecognized and (2) the sum of the consideration received from the transfer of the part derecognized and the portion of the cumulative amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period.

4. Determination of fair value of financial assets and financial liabilities

The Company adopts the valuation techniques applicable to the current situations and with sufficient data available and support of other information to determine the fair value of financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques in the following levels and uses them in turn:

(1) Level 1 inputs: quoted market price (unadjusted) in an active market for an identical asset or liability available at the date of measurement;

(2) Level 2 inputs: inputs other than inputs included within Level 1 that are observable directly or indirectly. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, observable inputs other than quoted prices (such as interest rate and yield curves observable during regular intervals of quotation), and inputs validated by the market;

(3) Level 3 inputs: inputs that are unobservable. This category includes interest rate or stock volatility that cannot be directly observed or validated by observable market data, future cash flows from retirement obligation incurred in business mergers, and financial forecasts made using own data.

5. Impairment of financial instruments

The Company carries out impairment treatment and determines impairment losses of financial assets at amortized cost, investments in debt instruments at fair value with changes accrued to other comprehensive income, contract assets, lease receivables, loan commitments other than financial liabilities at fair value with changes accrued to current profit or loss, and financial guarantee contracts other than financial liabilities at fair value with changes accrued to current profit or loss and other than financial liabilities arising as a result of the transfer of financial assets that does not meet the criteria for derecognition or that continues being involved in the financial assets transferred, on the basis of expected credit losses.

Expected credit loss is the weighted average of credit losses on financial instruments taking into account the possibility of default. Credit loss is the present value of the difference between all contractual cash flows receivable under the contract and estimated future cash flows discounted at the original effective interest rate, i.e., the present value of all cash shortage, wherein the Company's purchased or originated financial assets that have become credit impaired are discounted at their credit-adjusted effective interest rate.

With respect to purchased or originated financial assets that have become credit impaired, at the balance sheet date, the Company recognizes a loss allowance equal to the cumulative amount of changes in lifetime expected credit losses since initial recognition.

With respect to receivables and contract assets arising from transactions within the scope of Accounting Standards for Business Enterprises No. 14 - Revenue, the Company applies the simplified approach and measures the loss allowance at an amount equal to lifetime expected credit losses.

With respect to financial assets not using the measurement methods stated above, at each balance sheet date, the Company assesses whether the credit risk has increased significantly since initial recognition, and recognizes a loss allowance equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or to the expected credit losses within the next 12 months if the credit risk has not increased significantly since initial recognition.

The Company uses reasonable and supportable information, including forward-looking information, and compares the possibility of default at the balance sheet date with the possibility of default upon initial recognition, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition.

At the balance sheet date, if the Company determines that a financial instrument has low credit risk, the Company assumes that its credit risk has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses of financial instruments individually or collectively. When assessing the portfolio of financial instruments, the Company includes the financial instruments in different groups according to their common risk characteristics.

At each balance sheet date, the Company re-assesses the expected credit losses, with the amount of increase in or reversal of loss allowance recognized in profit or loss for the current period as impairment losses or gains. With respect to a financial asset at amortized cost, its carrying value recorded in the balance sheet is written off against the loss allowance. With respect to an investment in debt instruments at fair value through other comprehensive income, the Company recognizes the loss allowance in other comprehensive income, without reducing its carrying value.

6. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if the following conditions are satisfied simultaneously, the Company presents the net amount after offsetting in the balance sheet: (1) the Company has a legally enforceable right to offset the recognized amounts, and such right is currently enforceable; and (2) the Company intends to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

For transfers of financial assets that do not satisfy the conditions for derecognition, the Company does not offset the transferred financial assets and the related liabilities.

11. Criteria for recognition and methods for provision of expected credit losses on Accounts receivables and contract assets

1. Accounts receivables and contract assets for which expected credit losses are measured on a collective basis based on credit risk characteristics

Group category	Basis for grouping	Method for measuring expected credit losses
Bank acceptance bills receivable Commercial acceptance bills receivable	Type of notes	Calculate the expected credit losses according to the default risk exposure and the rate of expected credit loss within lifetime by reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions
Accounts receivables - aging group Contract assets - aging group	Aging	Calculate expected credit losses by reference to historical credit loss experience, and taking into account current conditions and forecasts of future economic conditions, through preparing a comparison table that correlates the aging of Accounts receivables with the rate of expected credit loss within lifetime
Other receivables - aging group	Aging	Calculate the expected credit losses according to the default risk exposure and the rate of expected credit loss within the next 12 months or lifetime by reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions

2. Comparison table of the aging and rate of expected credit loss within lifetime for aging groups

Aging	Rate of expected credit loss for Accounts receivables and contract assets (%)	Rate of expected credit loss for other receivables (%)
Within 1 year (inclusive, same below)	5.00	5.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
3-4 years	50.00	50.00
Over 4 years	100.00	100.00

The aging of Accounts receivables, contract assets and other receivables is calculated from the month when the amounts actually occur.

3. Criteria for determining Accounts receivables and contract assets for which expected credit losses are measured on an individual basis

For Accounts receivables and contract assets whose credit risk is significantly different from the credit risk of the portfolio, the Company measures expected credit losses on an individual basis.

12. Inventories

1. Classification of inventories

Inventories include finished goods or merchandise held by the Company for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

2. Pricing methods of inventories transferred out

Inventories issued are measured using the weighted average method calculated at month-end.

3. Inventory systems for inventories

The perpetual inventory system is adopted.

4. Amortization of low-value consumables and packing materials

One-off amortization method shall apply.

5. Criteria for recognition and method for making provision for decline in value of inventories

On the balance sheet date, inventory is measured at the lower of the cost or the net realizable value, and the inventory depreciation reserve is accrued for the difference between the cost and the net realizable value. In the normal production and operation process, the net realizable value of inventory directly used for sale is determined by the estimated selling prices of inventory less the estimated selling expenses and related taxes; in the normal production and operation process, the net realizable value of inventory to be processed is determined by the estimated selling prices of finished products less the estimated costs to be incurred upon completion, the estimated selling expenses, and related taxes; on the balance sheet date, if part of the same inventory has contract price agreements, while the other part does not have any, their net realizable values shall be determined respectively, which shall be compared with the corresponding costs, to determine the amount of the inventory depreciation reserve to be accrued or reserved respectively.

13. Long-term equity investments

1. Judgment criteria of joint control and significant influence

Joint control is the agreed sharing of control over an arrangement, and the decision in relation to the relevant activities of such arrangement may only be made upon the unanimous consent of the parties sharing control. Significant influence is the power of the investing enterprise to participate in the financial and operating policy decisions of an investee, but is not control or joint control with other parties over the establishment of those policies.

2. Determination of investment cost

(1) In case of an equity investment acquired through a business merger involving entities under common control, if the acquirer pays consideration for the business merger by cash, transfer of non-cash assets, assumption of liabilities or issuance of equity securities, the initial investment cost of the long-term equity investment is the Company's share of the carrying value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller at the date of merger. The difference between the initial investment cost of the long-term equity investment and the carrying value of the consideration paid for the merger or the total par value of the shares issued (as applicable) is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

In case of a long-term equity investment acquired through a business merger involving entities under common control and through multiple transactions by steps, the Company judges whether they constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the initial investment cost is the Company's post-merger share of the carrying value of the net assets of the acquiree in the consolidated financial statements of the ultimate controller at the date of merger. The difference between the initial investment cost of the long-term equity investment at the date of merger and the sum of the carrying value of long-term equity investment before the merger and the carrying value of the consideration paid for acquisition of the additional shares at the date of merger is adjusted against the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

(2) In case of an equity investment acquired through a business merger not involving entities under common control, the initial investment cost is the fair value of the consideration paid for the merger at the date of acquisition.

With respect to a long-term equity investment acquired through a business merger not involving entities under common control that is achieved through multiple transactions by steps, the accounting treatment thereof in the separate financial statements is different from that in the consolidated financial statements as stated below:

1) In the separate financial statements, the initial investment cost for which the Company changes to the cost method is the sum of the carrying value of the long-term equity investment originally held and the new investment cost.

2) In the consolidated financial statements, the Company judges whether the transactions constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the Company re-measures the fair value of the equity held in the acquiree prior to the date of acquisition, and records the difference between the fair value and the carrying value as investment income for the current period; if the equity held in the acquiree prior to the date of acquisition involves other comprehensive income under equity method, such other comprehensive income is transferred to the income of the period in which the date of acquisition falls, except for other comprehensive income arising from re-measurement by the investee of changes in net liabilities or net assets of defined benefit plans.

(3) In case of an equity investment not acquired through business merger, the initial investment cost is the purchase price actually paid if it is acquired by cash, or the fair value of the equity securities issued if it is acquired through issuance of equity securities, or is determined in accordance with the Accounting Standards for Business Enterprises No. 12 - Debt Restructuring if it is acquired through debt restructuring, or in accordance with the Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets if it is acquired through exchange of non-monetary assets.

3. Subsequent measurement and recognition of profit or loss

Long-term equity investments in investees are measured using the cost method. Long-term equity investments in associates and joint ventures are measured using the equity method.

4. Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary

(1) Principles for determining whether the transactions constitute a "package deal"

Where the Company disposes of its equity investment in a subsidiary in stages through multiple transactions until loss of control, the Company determines whether the transactions in stages constitute a "package deal" based on the terms and conditions of the agreements for each step of the transactions, the consideration received for each disposal, the parties to whom the equity is sold, the method of disposal, the timing of disposal and other information. Where the terms, conditions and economic effects of the

transactions satisfy one or more of the following circumstances, it generally indicates that the multiple transactions constitute a "package deal":

1) These transactions are entered into simultaneously or are entered into with consideration of the impact of each other;

2) These transactions as a whole can achieve a complete commercial result;

3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;

4) One transaction is not economical when considered individually, but is economical when considered together with other transactions.

(2) Accounting treatment where the transactions do not constitute a "package deal"

1) Separate financial statements

The difference between the carrying value of the equity disposed of and the proceeds of disposal actually received is recognized in profit or loss for the current period. If the remaining equity empowers the Company to exercise significant influence or joint control over the investees, the remaining equity is accounted for using the equity method; if the remaining equity does not empower the Company to exercise control, joint control or significant influence over the investees, the remaining equity is accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

2) Consolidated financial statements

Prior to the loss of control, the difference between the proceeds from disposal and the share owned by the Company in the net assets of the subsidiary in relation to the long-term equity investment disposed of that is calculated continuously from the date of acquisition or merger is adjusted against the capital reserve (capital premium). In case the capital premium is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

When losing control over an original subsidiary, the remaining equity is re-measured at its fair value at the date of loss of control. The sum of the consideration received from the disposal of the equity and the fair value of the remaining equity, net of the share owned by the Company in the net assets of the subsidiary as calculated continuously from the date of acquisition or merger according to the previous shareholding ratio, is recognized in the investment income for the period in which the control is lost, and the goodwill is reduced accordingly. Other comprehensive income relating to the equity investment in the original subsidiary should be transferred to the investment income for the period in which the control is lost.

(3) Accounting treatment where the transactions constitute a "package deal"

1) Separate financial statements

The Company accounts for such transactions as one transaction to dispose of and lose its control over the subsidiary. However, the difference between the proceeds from each disposal before loss of control and the carrying value of the long-term equity investment corresponding to the equity interest disposed of is recognized in other comprehensive income in the separate financial statements, which is wholly transferred to the profit or loss in the period in which the control is lost.

2) Consolidated financial statements

The Company accounts for such transactions as one transaction to dispose of and lose its control over the subsidiary, however, the difference between the proceeds from each disposal before loss of control and the share of the subsidiary's net assets attributable to the equity interest disposed of is recognized in other comprehensive income in consolidated financial statements, which is wholly transferred to the profit or loss in the period in which the control is lost.

14. Fixed assets

(1) Criteria for recognition

Fixed assets are tangible assets held for production of goods, rendering of services, lease or operation and management with a useful life of more than one accounting year. A fixed asset is recognized if the economic benefits relating to it are very likely to flow to the Company and its cost can be reliably measured.

(2) Depreciation

Category	Method of depreciation	Depreciation period (years)	Residual value rate	Annual depreciation rate
Buildings and constructions	Straight line method	20	5	4.75
General equipment	Straight line method	3-5	5	19.00-31.67
Specialized equipment	Straight line method	6-10	5	9.50-15.83
Vehicles	Straight line method	4-5	5	19.00-23.75

15. Construction in progress

1. Construction in progress is recognized when it is probable that economic benefits will flow to the Company and the cost can be measured reliably. Construction in progress is measured at the actual costs incurred up to the date when the asset is ready for its intended use.

2. When construction in progress reaches the state ready for its intended use, it is transferred to fixed assets at the actual cost of the project. Where construction in progress has reached the state ready for its intended use but final accounts have not been completed, it is transferred to fixed assets initially at estimated value and subsequently adjusted to actual cost upon completion of final accounts, without adjustment to depreciation previously provided.

Category	Criteria and timing for transferring construction in progress to fixed assets
Buildings and constructions	Put into use after completion of physical construction
Machinery and equipment	Meet design requirements or standards specified in contracts after installation and commissioning

16. Borrowing costs

1. Recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset. The amounts of other borrowing costs incurred are expensed when incurred and included in profit or loss for the current period.

2. Period of capitalization of borrowing costs

(1) A borrowing cost is capitalized when all of the following conditions are satisfied: 1) the expenditures on the asset have already been incurred; 2) the borrowing cost has already been incurred; and 3) the acquisition, construction or production activities necessary to prepare the asset for its intended use or sale have already commenced.

(2) Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The borrowing costs incurred during these periods are recognized as an expense for the current period until the acquisition, construction or production activity is resumed.

(3) When the qualifying asset being acquired, constructed or produced has become ready for its intended use or sale, the capitalization ceases.

3. Rate and amount of capitalization of borrowing costs

If funds are borrowed under a specific-purpose borrowing for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period (including amortized discount or premium determined using the effective interest method) less any interest income earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. If funds are borrowed under general-purpose borrowings and are utilized for the acquisition, construction or production of a qualifying asset, the Company shall determine the amount of interest to be capitalized on such borrowings by multiplying a capitalization rate of the utilized general-purpose borrowings by the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings.

17. Intangible assets

(1) Useful life and its basis for determination, estimation, amortization method or review procedures

1. Intangible assets, including land use rights, patents and non-patented technology, are initially measured at cost.

2. Intangible assets with finite useful lives are amortized systematically over their useful lives based on the pattern in which the economic benefits associated with the intangible assets are expected to be realized. Where the pattern of realization cannot be reliably determined, the straight-line method is adopted. Details are as follows:

Item	Useful life and basis for determination	Amortization method
Land use rights	Beneficial term specified in the real estate ownership certificate	Straight-line method
Software	Beneficial term specified in the contract	Straight-line method
Patents and trademarks	Valid term of the patents and trademarks	Straight-line method

(2) Scope of capitalization of research and development expenditure and related accounting treatment methods

3. Scope of capitalization of research and development expenditure

(1) Personnel costs

Personnel costs include wages and salaries, basic endowment insurance, basic medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund of the Company's research and development personnel, as well as labor costs of external research and development personnel.

Where research and development personnel serve multiple research and development projects simultaneously, the recognition of personnel costs is based on the working hour records of research and development personnel for each research and development project provided by the Company's management department, and is allocated among different research and development projects on a pro-rata basis.

Where personnel directly engaged in research and development activities and external research and development personnel are simultaneously engaged in non-research and development activities, the Company allocates the actual personnel costs incurred between research and development expenses and production and operating expenses based on the working hour records of research and development personnel in different positions using reasonable methods such as actual working hour ratios.

(2) Direct input costs

Direct input costs refer to related expenditures actually incurred by the Company for implementing research and development activities, including: 1) costs of materials, fuel and power directly consumed; 2) costs of molds and process equipment development and manufacturing for pilot tests and trial production of products, purchase costs of samples, prototypes and general testing facilities that do not constitute fixed assets, and inspection costs of trial products; 3) costs of operation, maintenance, adjustment, inspection, testing and repair of instruments and equipment used for research and development activities.

(3) Depreciation expenses and long-term deferred expenses

Depreciation expenses refer to depreciation of instruments, equipment and buildings in use for research and development activities.

Where instruments, equipment and buildings in use for research and development activities are also used for non-research and development activities, necessary records are kept on the use of such instruments, equipment and buildings in use, and the actual depreciation incurred is allocated between research and development expenses and production and operating expenses using reasonable methods based on factors such as actual working hours and use area.

Long-term deferred expenses refer to long-term deferred expenses incurred in the process of reconstruction, modification, decoration and repair of research and development facilities, which are capitalized based on actual expenditures and amortized evenly over a specified period.

(4) Amortization of intangible assets

Amortization of intangible assets refers to the amortization of software, intellectual property rights and non-patented technology (proprietary technology, licenses, designs and calculation methods, etc.) used for research and development activities.

(5) Design costs

Design costs refer to costs incurred in conceiving, developing and manufacturing new products and new processes, and in designing processes, technical specifications, procedures and operating characteristics, including related costs incurred in creative design activities to obtain innovative, creative and breakthrough products.

(6) Equipment debugging costs and testing costs

Equipment debugging costs refer to costs incurred in research and development activities during the tooling preparation process, including costs incurred in activities such as developing special and dedicated production machinery, changing production and quality control procedures, or formulating new methods and standards.

Costs incurred in routine tooling preparation and industrial engineering for large-scale mass production and commercialization are not included in the scope of capitalization. Testing costs include clinical trial costs for new drug development, field testing costs for exploration and development technology, and field trial costs.

(7) Outsourced research and development costs

Outsourced research and development costs refer to costs incurred by the Company in entrusting other domestic or overseas institutions or individuals to conduct research and development activities (where the results of research and development activities are owned by the Company and are closely related to the Company's principal operating activities).

(8) Other costs

Other costs refer to other costs directly related to research and development activities other than the above costs, including costs of technical books and materials, material translation costs, expert consultation fees, high-tech research and development insurance premiums, costs of retrieval, demonstration, review, appraisal and acceptance of research and development results, application fees, registration fees and agency fees for intellectual property rights, conference fees, travel expenses and communication expenses.

4. Expenditure on the research phase of internal research and development projects is expensed as incurred. Expenditure on the development phase of internal research and development projects is recognized as an intangible asset when all of the following conditions are satisfied: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is an intention to complete the intangible asset and use or sell it; (3) the manner in which the intangible asset will generate economic benefits can be demonstrated, including the ability to demonstrate that there is a market for the output to be produced using the intangible asset or for the intangible asset itself, or, where the intangible asset is to be used internally, its usefulness can be demonstrated; (4) adequate technical, financial and other resources are available to complete the development of the intangible asset and the ability exists to use or sell the intangible asset; and (5) expenditure attributable to the development phase of the intangible asset can be measured reliably.

18. Impairment of long-term assets

With respect to long-term equity investments, fixed assets, construction in progress, intangible assets with a finite useful life, and other long-term assets, if there is an indication of impairment at the balance sheet date, the Company assesses their recoverable amount. Goodwill arising from a business merger and an intangible asset with an indefinite useful life are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, goodwill is considered together with the related asset groups or sets of asset groups.

If the recoverable amount of the long-term asset above is lower than its carrying value, the difference is measured as provision for asset impairment and recognized in profit or loss for the current period.

19. Long-term prepaid expenses

Long-term prepaid expenses are expenses that have already been incurred but should be amortized over a period of more than one year (exclusive). Long-term prepaid expenses are stated as incurred and are amortized evenly by stages within the benefit period or specified period. If an item of long-term prepaid expenses will not benefit the subsequent periods, the amortized value of the item that has not yet been amortized is wholly transferred to profit or loss for the current period.

20. Employee benefits

(1) Accounting treatment of short-term employee benefits

The Company recognizes the short-term benefits actually incurred during the accounting period when the employees provide services for the Company as liabilities, and include the same in profit or loss for the current period or as part of the cost of related assets.

(2) Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

(1) The Company recognizes the contributions payable as calculated based on the defined contribution plan during the accounting period when the employees provide services for the Company as liabilities, and include the same in profit or loss for the current period or as part of the cost of related assets.

(2) The accounting treatment of a defined benefit plan generally involves the following steps:

1) According to the projected unit credit method, use the unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, measure the obligation arising from the defined benefit plan and determine the period to which the relevant obligation belongs. Meanwhile, discount the obligation arising from the defined benefit plan, in order to determine the present value of the benefit plan obligation and the current service cost;

2) If the defined benefit plan has assets, the deficit or surplus resulting after reducing the present value of the defined benefit plan obligation by the fair value of the assets is recognized as a net liability or asset of the defined benefit plan. If the defined benefit plan has a surplus, the net assets of the defined benefit plan are measured at the lower of surplus in the defined benefit plan and asset ceiling;

3) At the end of the reporting period, the cost of employee benefits arising from the defined benefit plan is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, and changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan, wherein the service cost and the net interest on the net liabilities or net assets of the defined benefit plan are included in profit or loss for the current period or the cost of related assets, and the changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, which will not be converted back to profit or loss in subsequent periods, but those recognized as other comprehensive income may be transferred within the scope of equity.

(3) Accounting treatment of termination benefits

The Company recognizes the employment compensation liabilities generated by termination benefits and records them into the profit or loss for the current period at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the termination benefits provided as a result of the labor relationship termination plan or layoff proposal; or (2) when the Company recognizes the costs or expenses related to the restructuring of the termination benefits payment.

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

Other long-term employee benefits are accounted for in accordance with the provisions applicable to defined contribution plans if they are qualified as defined contribution plans, otherwise, are accounted for in accordance with the provisions applicable to defined benefit plans. In order to simplify the accounting treatment, the total net amount of the cost of employee benefits arising

from the defined benefit plans that is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan and other components is included in profit or loss for the current period or the cost of related assets.

21. Estimated liabilities

1. An obligation arising from any external guarantee, litigation, product quality warranty, onerous contract or other contingencies is recognized as an estimated liability if it is a present obligation assumed by the Company, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured.

2. Estimated liabilities are initially measured according to the best estimates of the expenditures required to settle the related present obligations. The carrying value of provisions is reviewed at the balance sheet date.

22. Share-based payment

1. Category of share-based payment

Share-based payment includes equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment related to the implementation, modification and termination of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment transactions with employees that vest immediately upon grant, the fair value of the equity instruments at the grant date is recognized in the relevant costs or expenses with a corresponding adjustment to capital reserve. For equity-settled share-based payment transactions with employees that vest upon completion of service during the vesting period or achievement of specified performance conditions, at each balance sheet date during the vesting period, the services obtained during the period are recognized in the relevant costs or expenses at the fair value of the equity instruments at the grant date based on the best estimate of the number of equity instruments expected to vest, with a corresponding adjustment to capital reserve.

For equity-settled share-based payment transactions in exchange for services from parties other than employees, if the fair value of the services from other parties can be measured reliably, it is measured at the fair value of such services at the date the services are obtained; if the fair value of the services from other parties cannot be measured reliably but the fair value of the equity instruments can be measured reliably, it is measured at the fair value of the equity instruments at the date the services are obtained and recognized in the relevant costs or expenses with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees that vest immediately upon grant, the fair value of the liability assumed by the Company at the grant date is recognized in the relevant costs or expenses with a corresponding increase in liabilities. For cash-settled share-based payment transactions with employees that vest upon completion of service during the vesting period or achievement of specified performance conditions, at each balance sheet date during the vesting period, the services obtained during the period are recognized in the relevant costs or expenses and corresponding liabilities at the fair value of the liability assumed by the Company based on the best estimate of the vesting conditions.

(3) Modification and termination of share-based payment plans

If a modification increases the fair value of the equity instruments granted, the Company recognizes correspondingly the increase in services received based on the increase in the fair value of the equity instruments; if a modification increases the number of equity instruments granted, the Company recognizes correspondingly the fair value of the additional equity instruments as an increase in services received; if the Company modifies the vesting conditions in a manner that is beneficial to employees, the Company takes into account the modified vesting conditions when considering the vesting conditions.

If a modification decreases the fair value of the equity instruments granted, the Company continues to recognize the amount of services received based on the fair value of the equity instruments at the grant date without taking into account the decrease in fair value of the equity instruments; if a modification decreases the number of equity instruments granted, the Company treats the decrease as a cancellation of the equity instruments granted; if the vesting conditions are modified in a manner that is not beneficial to employees, the modified vesting conditions are not taken into account when considering the vesting conditions.

If the Company cancels or settles the equity instruments granted during the vesting period (other than those cancelled due to failure to satisfy vesting conditions), the cancellation or settlement is treated as an acceleration of vesting, and the amount that would otherwise have been recognized over the remainder of the vesting period is recognized immediately.

23. Other financial instruments such as preference shares and perpetual bonds

In accordance with the relevant standards for financial instruments, for issued financial instruments such as convertible bonds, the Company classifies such financial instruments or their component parts as financial assets, financial liabilities or equity instruments at initial recognition based on the substance of the contractual arrangements of the financial instruments issued and their economic substance rather than merely their legal form, in combination with the definitions of financial assets, financial liabilities and equity instruments.

On the balance sheet date, for financial instruments classified as equity instruments, their interest expense or dividend distribution is treated as profit distribution of the Company, and their repurchase, cancellation, etc. are treated as changes in equity; for financial instruments classified as financial liabilities, their interest expense or dividend distribution is treated as borrowing costs, and gains or losses arising from their repurchase or redemption are recognized in profit or loss for the period.

24. Contract assets, contract liabilities

Contract assets or contract liabilities are presented in the balance sheet according to the relationship between the relevant performance obligations and payment by the customer. Contract assets and contract liabilities under the same contract are presented on a net basis.

The Company presents as account receivables the unconditional rights (i.e., rights dependent only on the passage of time) to receive consideration from customers, and presents as contract assets the rights to receive consideration in exchange for goods transferred to customers where such rights are dependent on factors other than the passage of time.

The Company presents as contract liabilities the obligations to transfer goods to customers for which consideration has been received or is receivable from customers.

25. Revenue

Accounting policies adopted for the recognition and measurement of revenues by business type

1. Revenue recognition

At the inception of the contract, the Company evaluates the contract, identifies each single performance obligation contained therein and determines whether each single performance obligation is performed over time or at a point in time.

When meeting one of the following criteria, it belongs to the obligation performed over time, otherwise it constitutes the obligation performed at a point in time: (1) the customer obtains and consumes the economic benefits generated by the Company's performance when the Company performs the contract; (2) the customer can control the products under construction in the process of the Company's performance; (3) the products produced in the process of the Company's performance have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance that has been completed up to date throughout the term of the contract.

For the obligation performed over time, the Company recognizes the revenue based on the performance progress over time. When the performance progress cannot be reasonably determined, and the costs incurred are expected to be recoverable, revenue is recognized to the extent of costs incurred until the performance progress can be reasonably determined. For the obligation performed at a point in time, the revenue is recognized at the time point when the customer obtains the control of the related goods or services. When judging whether the customer has obtained the control of goods, the Company considers the following signs: (1) the Company has the current right to receive payment for such goods, that is, the customer has the current obligation to make payment for such goods; (2) the Company has transferred the legal ownership of such goods to the customer, that is, the customer has the legal ownership of such goods; (3) the Company has transferred such goods to the customer physically, that is, the customer has taken possession of such goods physically; (4) the Company has transferred major risks and rewards of such goods to the customer, that is, the customer has obtained major risks and rewards of such goods; (5) the customer has accepted such goods; and (6) other signs that the customer has obtained control of such goods.

2. Revenue measurement

(1) The Company measures revenue based on the transaction price allocated to each single performance obligation. The transaction price is the amount of consideration to which the Company is entitled arising from the transfer of goods or services to the customer, excluding the amount collected on behalf of a third party and expected to be returned to the customer.

(2) If there is variable consideration in the contract, the Company determines the best estimate of the variable consideration based on the expected value or the most likely amount. However, variable consideration is included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal of accumulatively recognized revenue in the future when the uncertainty has been subsequently resolved.

(3) If there is a major financing component in the contract, the Company determines the transaction price based on the presumed amount payable in cash when the customer obtains the control of goods or services. The difference between that transaction price and the contract consideration is amortized over the period of the contract using the effective interest method. If at the inception of the contract, the Company expects that the customer's acquisition of control of goods or services is not more than one year from the customer's payment therefor, the major financing component in the contract will not be considered.

(4) If the contract has two or multiple performance obligations, the Company allocates the transaction price to each single performance obligation in the contract by reference to relative standalone selling prices of goods promised thereby.

3. Specific methods for revenue recognition

(1) Export sales

1) Primary export sales model: The Company enters into sales orders with customers with delivery terms generally on an FOB (Free on Board) or DAP (Delivered at Place) basis, and engages third parties to handle customs declaration for export. Under FOB terms, revenue from export sales is recognized at the time of customs declaration and obtaining the bill of lading, with the corresponding product costs recognized concurrently; under DAP terms, revenue from export sales is recognized upon receipt of the confirmation issued by the customer after goods receipt and acceptance, with the corresponding product costs carried forward concurrently.

2) Vendor-managed inventory export sales model: Certain customers implement zero inventory management, and such customers settle with the Company based on actual monthly usage. The Company recognizes revenue based on the settlement statements issued by the customers, with the corresponding product costs carried forward concurrently.

(2) Domestic sales

1) Primary domestic sales model: The Company delivers products to locations designated by customers in accordance with the agreements, the customers are responsible for receipt and acceptance of the products, and regular reconciliations and settlements are conducted with the Company (typically monthly). The Company recognizes revenue based on the reconciliation, with the corresponding product costs recognized concurrently.

2) Vendor-managed inventory domestic sales model: Certain customers implement zero inventory management, and such customers settle with the Company based on actual monthly usage. The Company recognizes revenue based on the settlement statements, with the corresponding product costs recognized concurrently.

Differences in the accounting policies for revenue recognition and measurement arising from adoption of different modes of operation for the same kind of business

N/A.

26. Government grants

1. Government grants are recognized if (1) the Company meets the conditions attached to the government grants; and (2) the Company will receive the government grants. If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount.

2. Determination and accounting treatment of government grants related to assets

Government grants related to assets are government grants which are offered for purchasing, constructing or otherwise acquiring long-term assets as provided by the applicable government documents, or in the absence of such express provision in the applicable government documents, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire long-term assets. The government grants related to assets are offset against the carrying value of the related assets or recognized as deferred income. Government grants related to assets recognized as deferred income are included in profit or loss over the useful life of the relevant assets on a reasonable and systemic basis. Government grants measured at nominal amount are directly recognized in profit or loss for the current period. In case of sale, transfer, retirement or damage of the relevant assets before the end of useful life, the balance of the unallocated deferred income is transferred to profit or loss for the period in which the assets are disposed of.

3. Determination and accounting treatment of government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to both assets and income in which it is difficult to make a distinction between the portion related to assets and the portion related to income are wholly classified as government grants related to income. Government grants related to income as compensation for expenses or losses to be incurred in subsequent periods are recognized as deferred income and in the period for recognizing the relevant costs, expenses or losses, included in profit or loss for the current period or offset against the relevant costs. Government grants related to income as compensation for expenses or losses already incurred are directly included in profit or loss for the current period or offset against the relevant costs.

4. Government grants related to day-to-day operations of the Company are recognized in other income or offset against the relevant costs and expenses depending on the nature of economic business. Government grants not related to day-to-day operations of the Company are recognized in non-operating revenues or expenses.

5. Accounting treatment of policy preferential loans and interest subsidies

(1) If the Ministry of Finance appropriates the interest subsidies to the lending bank, and then the lending bank offers a loan to the Company at the policy-based preferential interest rate, the Company recognizes the loan amount actually received as the recorded amount of the loan, and calculates the borrowing costs according to the loan principal and such policy-based preferential interest rate.

(2) If the Ministry of Finance directly appropriates the interest subsidies to the Company, the Company offsets the corresponding interest subsidy against the related borrowing costs.

27. Deferred tax assets / deferred tax liabilities

1. The difference between the tax base of an asset or liability and its carrying value (or in case of an item not recognized as asset or liability whose tax base can be determined according to the applicable tax law, the difference between its tax base and carrying value), is recognized as a deferred tax asset or deferred tax liability according to the tax rate applicable to the period in which the asset or liability is expected to be recovered or settled.

2. Deferred income tax assets are recognized to the extent of the amount of taxable income that will be available in future periods against which deductible temporary differences are deductible. At the balance sheet date, deferred tax assets not recognized in prior periods are recognized if there is conclusive evidence that it is probable that sufficient taxable income will be available in future periods against which the deductible temporary differences are deductible.

3. At the balance sheet date, the carrying value of a deferred tax asset is reviewed. The Company reduces the carrying value of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of the deferred tax asset to be utilized. Any such reduction in amount is reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. Current and deferred tax of the Company is recognized as income or an expense and included in profit or loss for the current period, except to the extent that the tax arises from: (1) business merger; or (2) a transaction or event which is recognized directly in owner's equity.

5. The Company presents deferred tax assets and deferred tax liabilities on a net basis when all of the following conditions are met: (1) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (2) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

28. Lease

(1) Accounting treatment for leases as lessee

At the commencement date of the lease term, the Company recognizes a lease with a lease term not more than 12 months that includes no purchase option as short-term lease; and a lease at lower value when the individually leased asset is brand-new as low-value asset lease. If the Company subleases or expects to sublease the leased assets, the original lease is not recognized as a low-value asset lease.

For all short-term lease and low-value asset lease, the Company recognizes the lease payments in the cost of related assets or profit or loss for the current period on a straight-line basis over the term of the relevant lease.

Except the above short-term leases and low-value asset leases subject to simplified treatment, the Company recognizes the right of use assets and lease liabilities on the lease at the commencement date of the lease period.

(1) Right of use assets

The right of use asset is initially measured at cost, which includes: 1) the initially measured amount of the lease liability; 2) the lease payments made on or before the commencement date of the lease term less the amount related to lease incentives (if any); 3) the initial direct costs incurred by the lessee; 4) the costs that the lessee expects to incur in order to dismantle and remove the leased asset, restore the site where the leased asset locates, or restore the leased asset to the condition agreed upon in the lease terms.

The Company depreciates the right of use asset on a straight-line basis. If it reasonably ensures that ownership of the leased assets will be obtained at the expiry of the lease term, the Company will depreciate the leased assets over their remaining useful lives. If not, the Company will depreciate the leased asset over the shorter of the lease term or the remaining useful life of the leased asset.

(2) Lease liabilities

At the commence date of the lease term, the Company recognizes the present value of the outstanding lease payments as a lease liability. When calculating the present value of lease payments, the interest rate in the lease is determined as the discount rate. If the interest rate in the lease is unavailable, the Company's incremental borrowing rate is determined as the discount rate. The difference between the lease payments and their present value is recognized as an unrecognized financing expense, with interest expenses recognized at the discount rate used to recognize the present value of the lease payments and charged to profit or loss for the current period over the term of the relevant lease. The variable lease payments not measured as the lease liability are recognized in profit or loss when they are actually incurred.

After the commencement date of the lease term, when there is a change in the substantive fixed payments, the expected amount payable for the guaranteed residual value, the index or rate used to determine the lease payments, or the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Company will remeasure the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right of use asset accordingly. If the carrying amount of the right of use asset has been reduced to nil but the lease liability still needs to be further reduced, the remaining amount will be recognized in profit or loss for the current period.

(2) Accounting treatment for leases as lessor

At the commencement date of the lease, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

(1) Operating leases

The Company recognizes lease receipts as rental income on a straight-line basis over each period of the lease term. Initial direct costs incurred are capitalized and amortized on the same basis as the recognition of rental income, and are recognized in profit or loss for the current period in installments. Variable lease payments related to operating leases that are not included in lease receipts obtained by the Company are recognized in profit or loss when they are actually incurred.

(2) Finance leases

At the commence date of the lease term, the Company recognizes the finance lease payments receivable in accordance with the net lease investment (sum of the unguaranteed balance and the lease payment not received on the commencement date of the lease period based on the present value discounted at the inherent interest rate of the lease), and derecognizes the finance lease assets. At each phase of the lease period, the Company calculates and recognizes the interest income at the inherent interest rate of the lease.

The amount of variable lease payments obtained by the Company that are not accrued to the measurement of net lease investment is accrued to the current profit or loss when actually incurred.

29. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☑Applicable ☐N/A

In RMB

Content and reasons for change in accounting policy	Names of statement items significantly affected	Impact amount
On November 30, 2022, the Ministry of Finance issued the Interpretation No. 16 of Accounting Standards for Business Enterprises. The provisions on "accounting treatment whereby the initial recognition exemption does not apply to deferred tax related to assets and liabilities arising from a single transaction" have been implemented since January 1, 2023. This change in accounting policy does not require retrospective adjustment to prior years and will not have an impact on the current period financial statements.	No impact	0.00

(2) Changes in significant accounting estimates

☐Applicable ☑N/A

(3) Adjustments to relevant items in the financial statements as at the beginning of the year of first-time adoption upon first-time adoption of new accounting standards from 2023

☐Applicable ☑N/A

VI. Taxes

1. Major categories of taxes and tax rates

Tax type	Taxation basis	Tax rate
VAT	VAT payable is the output tax based on the sale of goods and taxable labor income calculated pursuant to the tax law, net of the input tax that is allowed to be deducted in the current period	13%, 9%
Urban maintenance and construction tax	Actually paid turnover tax	5%, 7%
Enterprise income tax	Taxable income	15%, 16.5%, 20%, 25%
Property tax	If it is levied on an ad valorem basis, the tax is calculated as 1.2% of the remaining value after deducting 30% of the original value of the property; if it is levied subject to rent, the tax is calculated as 12% of the rental income	1.2%, 12%
Education surcharges	Actually paid turnover tax	3%
Local education surcharges	Actually paid turnover tax	2%

Disclosure of taxpayers with different rates of enterprise income tax:

Taxpayer	Rate of income tax
The Company	15%
Zhejiang Haolong Electric Co., Ltd.	15%
Tuson Precision Machinery (Jiaxing) Co., Ltd. (hereinafter referred to as "Tuson Precision")	15%
Shaoxing Yicheng Motor Co., Ltd. (hereinafter referred to as	15%

"Yicheng Motor")	
Hangzhou Fenglong Technology Co., Ltd.	20%
Fenglong Hong Kong	16.5%
Other taxpayers not listed above	25%

2. Tax incentives

1. Export goods are subject to the VAT "exemption, credit and refund" policy. The Company's export VAT refund rates are 13% and 10%.

2. According to the Announcement on the Implementation of Income Tax Preferential Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Ministry of Finance and State Taxation Administration Announcement No. 6 of 2023) and the Announcement on Further Implementation of Income Tax Preferential Policies for Small and Micro Enterprises (Ministry of Finance and State Taxation Administration Announcement No. 13 of 2022), Hangzhou Fenglong Technology Co., Ltd. meets the criteria for small low-profit enterprises and is subject to enterprise income tax at a rate of 20%.

3. Tax incentives for high and new technology enterprises

Name of taxpayer	Date of high and new technology enterprise qualification recognition	Validity period	High-tech enterprise certificate number	Applicable tax rate
The Company	2021	2021-2023	GR202133009277	15%
Zhejiang Haolong Electric Co., Ltd.	2021	2021-2023	GR202133005923	15%
Tuson Precision	2022	2022-2024	GR202233002714	15%
Yicheng Motor	2023	2023-2025	GR202333002612	15%

VII. Notes to Items in the Consolidated Financial Statements

1. Cash at bank and on

In RMB

Item	Closing balance	Opening balance
Cash on hand	50,360.15	101,417.98
Bank deposits	142,469,184.39	161,432,117.94
Other monetary funds	1,635,213.27	6,872,487.29
Total	144,154,757.81	168,406,023.21
Incl.: Total amount of funds deposited overseas	1,707,805.48	1,705,861.76

Other information:

Description of restricted funds

Item	Closing balance	Opening balance
Margin for bank acceptance bills	1,633,126.01	3,868,894.99
Sub-total	1,633,126.01	3,868,894.99

2. Financial assets held for trading

In RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	133,242,000.00	129,391,836.06

Incl.:		
Wealth management products	133,242,000.00	127,999,000.00
Derivative financial assets		1,392,836.06
Incl.:		
Total	133,242,000.00	129,391,836.06

Other information:

Details of wealth management products

Counterparty	Product name	Closing balance	Expected annualized return (%)
Guosheng Securities Co., Ltd.	Guosheng Securities yield certificates	30,000,000.00	2.90
Hualong Securities Co., Ltd.	Treasury bond reverse repurchase	32,242,000.00	3.22-5.61
Shenwan Hongyuan Securities Co., Ltd.	Shenwan Hongyuan yield certificates	30,000,000.00	1.30-6.10
Lianchu Securities Co., Ltd.	Lianchu Securities yield certificates	20,000,000.00	3.20
Huayuan Securities Co., Ltd.	Zhou Zhou Ying Collective Asset Management	10,000,000.00	3.50
Bank of Hangzhou Co., Ltd.	Cai Xingfu 99 Tianyi (Anxiang Preferred) 7-Day Holding Period Wealth Management Product E	6,000,000.00	2.40-3.55
Huaan Securities Co., Ltd.	Yue Yue Ying No. 4	5,000,000.00	5.50
Sub-total		133,242,000.00	

3. Notes receivable

(1) Presentation of notes receivable by category

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills	1,564,681.35	
Total	1,564,681.35	

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl.:										
Notes receivable for which the provision for bad debts were made by group	1,564,681.35	100.00%			1,564,681.35					
Incl.:										
Bank acceptance bills	1,564,681.35	100.00%			1,564,681.35					
Total	1,564,681.35	100.00%			1,564,681.35					

Provision for bad debts on a collective basis:

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Bank acceptance bills	1,564,681.35		
Total	1,564,681.35		

Basis for determining such portfolio:

If the provision for bad debts on notes receivable is made in accordance with the general model of expected credit loss:
☐Applicable☑N/A

4. Accounts receivables

(1) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	121,942,387.98	124,474,628.82
1-2 years	2,509,961.86	6,111.00
2-3 years	6,111.00	
Total	124,458,460.84	124,480,739.82

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl.:										
Accounts receivables for which provision for bad debts is made by group	124,458,460.84	100.00%	6,349,948.88	5.10%	118,108,511.96	124,480,739.82	100.00%	6,224,342.55	5.00%	118,256,397.27
Incl.:										
Total	124,458,460.84	100.00%	6,349,948.88	5.10%	118,108,511.96	124,480,739.82	100.00%	6,224,342.55	5.00%	118,256,397.27

Provisions for bad debts made by group: Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	121,942,387.98	6,097,119.39	5.00%
1-2 years	2,509,961.86	250,996.19	10.00%
2-3 years	6,111.00	1,833.30	30.00%
Total	124,458,460.84	6,349,948.88	

Description of basis for determining the group:

If the provision for bad debts on Accounts receivables is made in accordance with the general model of expected credit loss,

☐Applicable☑N/A

(3) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts made by group	6,224,342.55	125,606.33				6,349,948.88
Total	6,224,342.55	125,606.33				6,349,948.88

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reasons for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

(4) Accounts receivables actually written off for the current period

In RMB

Item	Write-off amount
Accounts receivables actually written off	0.00

Information of significant Accounts receivables that are written off:

In RMB

Entity	Nature of Accounts receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of write-off of Accounts receivables:

No Accounts receivables was written off in the current period.

(5) Top five closing balances of Accounts receivables and contract assets categorized by debtor

In RMB

Entity	Closing balance of Accounts receivables	Closing balance of contract assets	Total closing balance of Accounts receivables and contract assets	Percentage of total closing balance of Accounts receivables and contract assets	Closing balance of provision for bad debts on Accounts receivables and provision for impairment of contract assets
Caterpillar	27,563,023.87		27,563,023.87	21.29%	1,378,151.19
Husqvarna Group	10,697,660.06		10,697,660.06	8.26%	534,883.00
Dayco	9,852,759.41		9,852,759.41	7.61%	492,637.97
STIHL Group	6,513,629.10		6,513,629.10	5.03%	325,681.46
Weichai Hydraulic Transmission Co., Ltd.	5,731,339.73	714,745.91	6,446,085.64	4.98%	322,304.29
Total	60,358,412.17	714,745.91	61,073,158.08	47.17%	3,053,657.91

5. Contract assets

(1) Details of contract assets

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carry value	Book balance	Provision for bad debts	Carry value
Quality guarantee deposits receivable	5,027,273.14	251,363.66	4,775,909.48	5,921,700.00	296,085.00	5,625,615.00
Total	5,027,273.14	251,363.66	4,775,909.48	5,921,700.00	296,085.00	5,625,615.00

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carry value	Book balance		Provision for bad debts		Carry value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl:										
Provision for bad debts on a collective basis	5,027,273.14	100.00%	251,363.66	5.00%	4,775,909.48	5,921,700.00	100.00%	296,085.00	5.00%	5,625,615.00
Incl:										
Total	5,027,273.14	100.00%	251,363.66	5.00%	4,775,909.48	5,921,700.00	100.00%	296,085.00	5.00%	5,625,615.00

Provision for bad debts on a collective basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Within 1 year	5,027,273.14	251,363.66	5.00%
Total	5,027,273.14	251,363.66	

Basis for determining such group:
Provision for bad debts in accordance with the general model of expected credit loss

☐Applicable ☑N/A

(3) Provision for bad debts made, recovered or reversed during the current period

In RMB

Item	Provision made during the current period	Recovered or reversed during the current period	Written off/written down during the current period	Reason
Provision for impairment on a collective basis	-44,721.34			
Total	-44,721.34			——

Significant amounts of provision for bad debts recovered or reversed during the current period:

In RMB

Entity	Amount recovered or reversed	Reason for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

Other information:

(4) Contract assets actually written off during the current period

In RMB

Item	Write-off amount
Contract assets actually written off	0.00

Significant write-offs of contract assets

In RMB

Entity	Nature of amount	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arose from related party transactions

Explanation of contract asset write-offs:

No contract assets were written off during the current period.

Other information:

6. Financing receivables

(1) Classification and presentation of Financing receivables

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills	27,153,231.35	23,886,005.90
Total	27,153,231.35	23,886,005.90

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carry value	Book balance		Provision for bad debts		Carry value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl:										
Provision for bad debts on a collective basis	27,153, 231.35	100.00%			27,153, 231.35	23,886, 005.90	100.00%			23,886, 005.90
Incl:										
Bank acceptance bills	27,153, 231.35	100.00%			27,153, 231.35	23,886, 005.90	100.00%			23,886, 005.90
Total	27,153, 231.35	100.00%			27,153, 231.35	23,886, 005.90	100.00%			23,886, 005.90

Provision for bad debts on a collective basis：

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Bank acceptance bills	27,153,231.35		
Total	27,153,231.35		

Basis for determining such group:

Provision for bad debts in accordance with the general model of expected credit loss

In RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2023 in the current period				

Basis for classification into each stage and provision ratio for bad debts

Explanation of significant changes in the book balance of Financing receivables for which loss provisions changed during the current period:

(3) Financing receivables pledged by the Company at the end of the period

In RMB

Item	Amount pledged at the end of the period
Bank acceptance bills	4,305,389.86
Total	4,305,389.86

(4) Financing receivables endorsed or discounted by the Company that have not yet matured as at the balance sheet date at the end of the period

In RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	1,331,347.71[1]	
Total	1,331,347.71	

Note: 1 The acceptors of bank acceptance bills are commercial banks with high creditworthiness. The possibility of non-payment at maturity of bank acceptance bills accepted by such banks is relatively low. Therefore, the Company derecognizes such bank acceptance bills that have been endorsed or discounted. However, if such bills are not paid at maturity, in accordance with the provisions of the Negotiable Instruments Law, the Company will still bear joint and several liability to the holder.

(5) Other information

7. Other receivables

In RMB

Item	Closing balance	Opening balance
Other receivables	762,226.77	1,293,286.20
Total	762,226.77	1,293,286.20

(1) Other receivables

1) Category of other receivables by nature

In RMB

Nature	Closing book balance	Opening book balance
Export VAT refund receivable	357,170.21	576,878.44
Petty cash	325,000.00	507,712.42
Suspense payables	281,580.08	
Security deposit	141,750.00	306,050.00
Total	1,105,500.29	1,390,640.86

2) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	710,470.29	893,128.44
1-2 years	169,200.00	484,682.42
2-3 years	220,000.00	12,000.00
Over 3 years	5,830.00	830.00
3-4 years	5,000.00	400.00
4-5 years	400.00	400.00
Over 5 years	430.00	30.00
Total	1,105,500.29	1,390,640.86

3) Disclosed by classification according to method of provision for bad debts

☑Applicable ☐N/A

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carry value	Book balance		Provision for bad debts		Carry value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Provision for bad debts on an individual basis	295,000.00	26.68%	295,000.00	100.00%						
Incl:										
Provision for bad debts on a collective basis	810,500.29	73.32%	48,273. 52	5.96%	762,226.77	1,390,640.86	100.00%	97,354. 66	7.00%	1,293,286.20
Incl:										
Total	1,105,500.29	100.00%	343,273.52	31.05%	762,226.77	1,390,640.86	100.00%	97,354. 66	7.00%	1,293,286.20

Provision for bad debts on a collective basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Within 1 year	710,470.29	35,523.52	5.00%
1-2 years	94,200.00	9,420.00	10.00%
3-4 years	5,000.00	2,500.00	50.00%
Over 4 years	830.00	830.00	100.00%
Total	810,500.29	48,273.52	

Basis for determining such group:

Provision for bad debts in accordance with the general model of expected credit loss:

In RMB

Provisions for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2023	44,656.42	48,468.24	4,230.00	97,354.66
Balance as at January 1, 2023 in the current period				
- Transferred to Stage II	-4,710.00	4,710.00		
- Transferred to Stage III	-3,750.00	-22,000.00	25,750.00	
Provision made during the current period	-672.90	-21,758.24	268,350.00	245,918.86
Balance as at December 31, 2023	35,523.52	9,420.00	298,330.00	343,273.52

Basis for classification into each stage and provision ratio for bad debts

Basis for classification into each stage: At each balance sheet date, the Company measures the expected credit losses of financial instruments at different stages separately. For financial instruments whose credit risk has not increased significantly since initial recognition, which are in Stage 1, the Company measures loss provisions based on expected credit losses within the next 12 months; for financial instruments whose credit risk has increased significantly since initial recognition but have not yet been credit-impaired, which are in Stage 2, the Company measures loss provisions based on lifetime expected credit losses of the instrument; for financial instruments that have been credit-impaired since initial recognition, which are in Stage 3, the Company measures loss provisions based on lifetime expected credit losses of the instrument.

Significant changes in book balance where loss provisions changed materially during the current period
☐Applicable ☑N/A

4) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts on other receivables	97,354.66	245,918.86				343,273.52
Total	97,354.66	245,918.86				343,273.52

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reasons for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

5) Other receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant other receivables that are written off:

In RMB

Entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of write-off of other receivables:

No significant other receivables was written off in the current period.

6) Top five closing balances of other receivables categorized by debtor

In RMB

Entity	Nature of other receivables	Closing balance	Aging	Proportion of total closing balance of other receivables	Closing balance of provisions for bad debts
State Treasury of the People's Republic of China, Shangyu District Sub-treasury, Shaoxing	Export tax rebates receivable	357,170.21	Within 1 year	32.31%	17,858.51

Li Jin (employee)	Advances to employees	220,000.00	2-3 years	19.90%	220,000.00
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch	Suspense payables	196,269.73	Within 1 year	17.75%	9,813.49
Sheng Zhubing (employee)	Advances to employees	75,000.00	1-2 years	6.78%	75,000.00
Guizhou Huiqun Trading Co., Ltd.	Deposits	50,000.00	1-2 years	4.52%	5,000.00
Total		898,439.94		81.26%	327,672.00

8. Prepayments

(1) Presentation of prepayments by aging

In RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	5,186,142.92	88.73%	6,537,685.60	90.32%
1-2 years	323,965.78	5.54%	517,872.86	7.15%
2-3 years	165,957.37	2.84%	154,549.31	2.14%
Over 3 years	168,834.47	2.89%	28,000.00	0.39%
Total	5,844,900.54		7,238,107.77	

Reasons for overdue settlement of prepayments with significant amounts and aged more than 1 year:

(2) Top five closing balances of prepayments categorized by receivers

Entity	Book balance	Proportion to total prepayments (%)
Ningbo Beilun Huiteng Mold Co., Ltd.	2,080,500.00	35.60
Ningbo Chenhong Mould Machinery Co., Ltd.	1,657,900.00	28.36
Shaoxing Shangyu Natural Gas Co., Ltd.	232,440.96	3.98
Ningbo Beilun Daqi Fuda Mould Factory	158,400.00	2.71
Messe Muenchen (Shanghai) Co., Ltd.	122,400.00	2.09
Sub-total	4,251,640.96	72.74

Other information:

9. Inventories

Did the Company need to comply with the disclosure requirements on the real estate industry?
No

(1) Categories of inventories

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value
Raw materials	60,293,175.51	8,350,295.81	51,942,879.70	67,628,537.48	2,988,457.25	64,640,080.23
Work in process	22,186,202.94	582,473.60	21,603,729.34	23,869,075.94		23,869,075.94
Goods on hand	45,443,019.57	1,889,529.60	43,553,489.97	65,258,244.32	1,085,624.50	64,172,619.82
Turnover materials	6,693,007.53	508,797.65	6,184,209.88	6,907,587.12	388,930.21	6,518,656.91
Goods upon delivery	8,114,865.46		8,114,865.46	13,277,503.46		13,277,503.46
Work in process held by subcontractors	2,344,477.26		2,344,477.26	1,631,419.78		1,631,419.78
Total	145,074,748. 27	11,331,096.66	133,743,651. 61	178,572,368. 10	4,463,011.96	174,109,356. 14

(2) Provision for decline in value of inventories and for impairment of contract performance costs

In RMB

Item	Opening balance	Increase during the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	2,988,457.25	5,926,373.25		564,534.69		8,350,295.81
Work in progress		582,473.60				582,473.60
Goods on hand	1,085,624.50	984,223.33		180,318.23		1,889,529.60
Turnover materials	388,930.21	149,455.62		29,588.18		508,797.65
Total	4,463,011.96	7,642,525.80		774,441.10		11,331,096.66

Specific basis for determining net realizable value and reasons for reversal or write-off of provision for inventory write-down during the current period

Item	Specific basis for determining net realizable value	Reasons for reversal of provision for inventory write-down during the current period	Reasons for write-off of provision for inventory write-down
Raw materials	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period
Work in progress	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period
Goods on hand	Net realizable value is determined at the estimated selling price of the related finished goods less estimated selling expenses and related taxes		Sold during the current period
Turnover materials	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period

Provision for inventory write-down by group

In RMB

Name of group	Closing balance			Opening balance		
	Closing balance	Provision for decline in value	Provision ratio for decline in value	Opening balance	Provision for decline in value	Provision ratio for decline in value

Basis for provision for inventory write-down by group

10. Other current assets

In RMB

Item	Closing balance	Opening balance
Input VAT to be deducted	1,020,833.73	613.46
Prepaid enterprise income tax	394,859.90	199,517.96
Total	1,415,693.63	200,131.42

Other information:

11. Long-term equity investments

In RMB

Investees	Opening balance (carrying value)	Opening balance of provision for impairment	Changes during the current period								Closing balance (carrying value)	Closing balance of provision for impairment
			Additional investment	Decreased investment	Share of profit or loss under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distribution	Provision for impairment	Others		
I. Joint ventures												
II. Associates												
Shaoxing Shangyu Fenglong Yuanzhi Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Yuanzhi Partnership")	20,559,811.20				- 657,654.90					19,902,156.30[1]		
Sub-total	20,55,811.20				-657,654.90					19,902,156.30		
Total	20,559,811.20				-657,654.90					19,902,156.30		

Note: 1 On March 20, 2023, the Investment Decision Committee of Yuanzhi Partnership approved the exit from all equity interests in Ningbo Delin Machinery Co., Ltd., and proceeded with deregistration and liquidation after completion of the exit, with the remaining funds distributed to the partners. As at June 8, 2023, Yuanzhi Partnership has been deregistered.

Recoverable amount determined as fair value less costs of disposal
☐Applicable ☑N/A

Recoverable amount determined as the present value of estimated future cash flows
☐Applicable ☑N/A

Reasons for significant inconsistencies between the aforementioned information and the information or external information used in prior years' impairment tests

Reasons for significant inconsistencies between the information used in the Company's prior years' impairment tests and the actual circumstances of the current year

Other information:

12. Fixed assets

In RMB

Item	Closing balance	Opening balance
Fixed assets	317,799,531.79	184,991,031.94
Disposal of fixed assets		
Total	317,799,531.79	184,991,031.94

(1) Details of fixed assets

In RMB

Item	Buildings and constructions	General equipment	Specialized equipment	Vehicles	Total
I. Original carrying value:					
1.Opening balance	104,313,479.43	6,541,177.96	235,340,431.36	10,037,323.52	356,232,412.27
2. Increase during the current period	141,159,584.90	4,888,672.74	13,830,838.16	36,800.00	159,915,895.80
(1) Purchase		200,529.21	6,087,412.12	36,800.00	6,324,741.33
(2) Transfer from construction in progress	141,159,584.90	4,688,143.53	7,743,426.04		153,591,154.47
(3) Increase due to business merger					
3. Decrease in the current period		180,965.80	2,644,199.01		2,825,164.81
(1) Disposal or retirement		180,965.80	2,644,199.01		2,825,164.81
4. Closing balance	245,473,064.33	11,248,884.90	246,527,070.51	10,074,123.52	513,323,143.26

II. Accumulative depreciation					
1.Opening balance	49,238,723.24	5,568,718.66	108,065,052.67	8,368,885.76	171,241,380.33
2.Increase during the current period	5,179,685.55	294,644.77	20,499,524.44	890,558.05	26,864,412.81
(1) Provision	5,179,685.55	294,644.77	20,499,524.44	890,558.05	26,864,412.81
3. Decrease in the current period		172,527.76	2,409,653.91		2,582,181.67
(1) Disposal or retirement		172,527.76	2,409,653.91		2,582,181.67
4. Closing balance	54,418,408.79	5,690,835.67	126,154,923.20	9,259,443.81	195,523,611.47
III. Provision for impairment					
1.Opening balance					
2.Increase during the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or retirement					
4. Closing balance					
IV. Carrying value					
1. Closing carrying value	191,054,655.54	5,558,049.23	120,372,147.31	814,679.71	317,799,531.79
2. Opening carrying value	55,074,756.19	972,459.30	127,275,378.69	1,668,437.76	184,991,031.94

(2) Fixed assets for which property ownership certificates have not been obtained

In RMB

Item	Carrying value	Reasons for not obtaining property ownership certificate
Fenglong Hangzhou Bay headquarters factory building	140,104,539.02	Factory building acceptance procedures are in progress; property ownership certificate will be obtained after acceptance

Other information:

13. Construction in progress

In RMB

Item	Closing balance	Opening balance
Construction in progress	151,576,296.64	222,954,579.83
Total	151,576,296.64	222,954,579.83

(1) Details of construction in progress

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
New project for production of 3.25 million sets of hydraulic components and 4.10 million sets of automotive precision metal parts per annum	137,927,253. 39		137,927,253. 39	113,148,889. 13		113,148,889. 13
New project for production of 16 million pieces of key components for garden machinery per annum	11,709,225.79		11,709,225.79	74,512,011.61		74,512,011.61
New R&D center project				32,265,091.91		32,265,091.91
Other miscellaneous projects	2,074,817.46	135,000.00	1,939,817.46	3,163,587.18	135,000.00	3,028,587.18
Total	151,711,296. 64	135,000.00	151,576,296. 64	223,089,579. 83	135,000.00	222,954,579. 83

(2) Changes in significant construction in progress projects during the current period

In RMB

Item	Budget	Opening balance	Increase during the current period	Transfer to fixed assets during the current period	Other decrease during the current period	Closing balance	Cumulative project expenditure as a percentage of budget	Project progress	Cumulative capitalized interest	Incl: Interest capitalized during the current period	Interest capitalization rate during the current period	Source of funding
New project for production of 3.25 million sets of hydraulic components and 4.10 million sets of automotive precision metal parts per annum	315,000,000.00[1]	113,148,889.13	24,778,364.26			137,927,253.39	44.39%	45.00%	23,538,123.86	8,753,411. 29	7.52%	Proceeds from share issuance

New project for production of 16 million pieces of key components for garden machinery per annum	123,711,900.00	74,512,011.61	40,928,396.25	103,731,182.07		11,709,225.79	98.77%	99.00%				Proceeds from share issuance
New R&D center project	43,910,300. 00[2]	32,265,091	14,726,409. 91	46,991,501.52			111.64%	100.00%				Proceeds from share issuance
Other miscellaneous projects		3,163,587. 18	1,779,701. 16	2,868,470. 88		2,074,817. 46						Others
Total	482,622,200.00	223,089,579.83	82,212,871.28	153,591,154.47		151,711,296.64			23,538,123.86	8,753,411. 29		

Notes: 1 The budget for this project includes proceeds from share issuance and others.

2 The budget for this project includes proceeds from share issuance and others.

(3) Provision for impairment of construction in progress during the current period

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reasons for provision
Other miscellaneous projects	135,000.00			135,000.00	
Total	135,000.00			135,000.00	--

Other information:

(4) Impairment testing of construction in progress

☐Applicable ☑N/A

14. Intangible assets

(1) Details of intangible assets

In RMB

Item	Land use rights	Patent	Non-patent technology	Software	Patent technology and trademarks	Total
I. Original carrying value						
1. Opening balance	64,935,909.34			4,077,982.38	17,671,400.00	86,685,291.72

2. Increase during the current period				240,048.42		240,048.42
(1) Purchase				240,048.42		240,048.42
(2) Internal research and development						
(3) Increase due to business mergers						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	64,935,909.34			4,318,030.80	17,671,400.00	86,925,340.14
II. Accumulated amortization						
1. Opening balance	9,760,728.48			2,315,141.57	7,068,560.16	19,144,430.21
2. Increase during the current period	1,300,290.12			380,486.77	1,767,140.04	3,447,916.93
(1) Provision	1,300,290.12			380,486.77	1,767,140.04	3,447,916.93
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	11,061,018.60			2,695,628.34	8,835,700.20	22,592,347.14
III. Provision for impairment						
1. Opening balance						
2. Increase during the current period						
(1) Provision						

3. Decrease in the current period						
(1) Disposal						
4. Closing balance						
IV. Carrying value						
1. Closing carrying value	53,874,890.74			1,622,402.46	8,835,699.80	64,332,993.00
2. Opening carrying value	55,175,180.86			1,762,840.81	10,602,839.84	67,540,861.51

Proportion of intangible assets generated from the Company's internal research and development to the balance of intangible assets at the end of the period: 0.00%.

15. Goodwill

(1) Gross carrying amount of goodwill

In RMB

Name of investee or events giving rise to goodwill	Opening balance	Increase		Decrease		Closing balance
		Arising from business merger		Disposal		
Tuson Precision	9,903,454.24					9,903,454.24
Total	9,903,454.24					9,903,454.24

(2) Provision for impairment of goodwill

In RMB

Name of investee or events giving rise to goodwill	Opening balance	Increase		Decrease		Closing balance
		Provision		Disposal		
Tuson Precision	694,257.49	176,731.47				870,988.96
Total	694,257.49	176,731.47				870,988.96

(3) Information on cash-generating units or groups of cash-generating units containing goodwill

Name	Composition and basis of the cash-generating units or groups to which it belongs	Operating segment to which it belongs and basis	Whether consistent with prior years

Changes in cash-generating units or groups

Name	Composition before change	Composition after change	Objective facts and basis leading to the change

Other information

Goodwill impairment testing process

Goodwill includes RMB7,793,181.88 of goodwill recognized as the difference between the merger cost on the acquisition date and the share of the fair value of the identifiable net assets of the acquiree obtained in the merger, and RMB2,110,272.36 of goodwill arising from the recognition of deferred tax liabilities due to the difference between the fair value and carrying value of the identifiable net assets of the acquiree. For goodwill arising from the recognition of deferred tax liabilities, provision for impairment should be made when the deferred tax liabilities are reversed.

(1) Information on cash-generating units containing goodwill

Composition of the cash-generating unit	Operating assets and liabilities of Tuson Precision
Carrying value of the cash-generating unit	123,339,964.05
Carrying value of goodwill allocated to the cash-generating unit and allocation method	The Company holds 51% equity interest in Tuson Precision. The carrying value of goodwill allocated to the cash-generating unit is RMB7,793,181.88 (excluding goodwill of RMB2,110,272.36 arising from recognition of deferred tax liabilities).
Carrying value of the cash-generating unit containing goodwill	138,620,712.83
Whether the cash-generating unit is consistent with that determined on the acquisition date or in prior years' goodwill impairment tests	Yes

(2) Process, method and conclusion of goodwill impairment test

The recoverable amount of the cash-generating units or groups containing goodwill is calculated based on the present value of estimated future cash flows. The estimated cash flows are based on the five-year cash flow forecasts approved by the Company. The discount rate used in the cash flow forecasts is 11.32% (2022: 11.77%), and the earnings after the forecast period are assumed to remain at the 2028 level.

Other key data used in the impairment test include: estimated selling prices, sales volumes, production costs and other related expenses of products. The Company determines the above key data based on historical experience and forecasts of market development. The discount rate adopted by the Company is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the relevant cash-generating units.

Upon testing, the recoverable amount of the cash-generating units containing goodwill is RMB140,300,000.00, and the carrying value is RMB138,620,712.83. No impairment loss on goodwill has occurred.

(4) Specific method for determining recoverable amount

Recoverable amount determined as fair value less costs of disposal

☐Applicable ☑N/A

Recoverable amount determined as the present value of estimated future cash flows
☑Applicable ☐N/A

In RMB

Item	Carrying value	Recoverable amount	Impairment amount	Forecast period (years)	Key parameters for forecast period	Key parameters for stable period	Basis for determining key parameters for stable period
Tuson Precision Machinery (Jiaxing) Co., Ltd. cash-generating unit	138,620,712.83	140,300,000.00	0.00	5	Revenue growth rate 3.00%-15.69%; Profit margin 7.08%-7.47%; Discount rate 11.32%	Revenue growth rate 0%; Profit margin 7.23%; Discount rate 11.32%	Determined based on historical experience and forecasts of market development
Total	138,620,712.83	140,300,000.00	0.00				

Reasons for significant inconsistencies between the aforementioned information and the information or external information used in prior years' impairment tests

Reasons for significant inconsistencies between the information used in the Company's prior years' impairment tests and the actual circumstances of the current year

(5) Completion of performance commitments and corresponding goodwill impairment

Performance commitments existed when goodwill was formed and the reporting period or the period immediately preceding the reporting period was within the performance commitment period

☐Applicable ☑N/A

Other information:

16. Long-term prepaid expenses

In RMB

Item	Opening balance	Increase during the current period	Amortization for the current period	Other decrease	Closing balance
Decoration expenses	1,239,117.06	374,995.00	1,018,596.64		595,515.42
Pollution discharge right usage fees	375,462.99		86,951.16		288,511.83
Online shop usage rights	48,000.00		18,000.00		30,000.00
Software service fees		103,701.97	8,641.83		95,060.14
Total	1,662,580.05	478,696.97	1,132,189.63		1,009,087.39

Other information:

17. Deferred tax assets / deferred tax liabilities

(1) Deferred tax assets not offset

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Unrealized profits on intragroup transactions	38,512.51	5,776.88	1,957,543.84	293,631.57
Deductible losses	2,229,371.56	334,405.73	24,193,282.93	3,628,992.44
Capitalized interest on convertible bonds	13,837,385.98	2,075,607.90		
Provision for inventory write-down	11,331,096.66	1,699,664.50	4,463,011.96	685,729.73
Provision for bad debts on Accounts receivables	6,349,948.88	952,492.33	6,224,342.55	962,527.89
Deferred income	4,403,083.75	660,462.56	3,329,501.33	499,425.20
Provision for impairment of contract assets	251,363.66	37,704.55	296,085.00	56,371.25
Share-based payment			11,426,398.00	1,791,441.90
Contingent consideration			4,570,481.78	685,572.27
Provision for impairment of construction in progress			135,000.00	20,250.00
Total	38,440,763.00	5,766,114.45	56,595,647.39	8,623,942.25

(2) Deferred tax liabilities not offset

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Fair value adjustments on assets arising from business combinations not under common control	16,199,783.09	2,429,967.46	18,509,998.38	2,776,499.76
One-time pre-tax deduction for equipment	6,753,070.80	1,012,960.62	6,753,070.80	1,012,960.62
Capitalized interest on convertible bonds			10,565,692.37	1,584,853.86
Financial assets held for trading			1,392,836.06	208,925.41
Total	22,952,853.89	3,442,928.08	37,221,597.61	5,583,239.65

(3) Deferred tax assets or deferred tax liabilities presented on a netting basis

In RMB

Item	Closing offset amount of deferred tax assets and liabilities	Closing balance of deferred tax assets or liabilities after offset	Opening offset amount of deferred tax assets and liabilities	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	1,012,960.62	4,753,153.83	1,221,886.03	7,402,056.22
Deferred tax liabilities	1,012,960.62	2,429,967.46	1,221,886.03	4,361,353.62

(4) Details of unrecognized deferred tax assets

In RMB

Item	Closing balance	Opening balance
Deductible losses	36,347,645.99	891,351.12
Provision for bad debts on other receivables	343,273.52	97,354.66
Share-based payment		302,804.00
Total	36,690,919.51	1,291,509.78

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following year

In RMB

Year	Closing balance	Opening balance	Remark
2024	5,145.42	5,145.42	
2025	208,860.91	208,860.91	
2026	323,882.93	323,882.93	
2027	353,461.86	353,461.86	
2028	785,177.23		
2031	6,913,815.58		
2032	17,279,467.35		
2033	10,477,834.71		
Total	36,347,645.99	891,351.12	

Other information:

18. Other non-current assets

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Prepayments for acquisition of non-current assets	2,267,276.00		2,267,276.00	7,586,105.84		7,586,105.84
Total	2,267,276.00		2,267,276.00	7,586,105.84		7,586,105.84

Other information:

19. Assets with restricted ownership or use rights

In RMB

Item	Closing balance				Opening balance			
	Book balance	Carrying value	Type of restriction	Nature of restriction	Book balance	Carrying value	Type of restriction	Nature of restriction
Cash at bank and on	1,633,126.01	1,633,126.01	Pledge	Bank acceptance bill deposits	3,868,894.99	3,868,894.99	Pledge	Bank acceptance bill deposits
Financing receivables	4,305,389.86	4,305,389.86	Pledge	Bank acceptance bills pledged	5,738,266.32	5,738,266.32	Pledge	Bank acceptance bills pledged
Total	5,938,515.87	5,938,515.87			9,607,161.31	9,607,161.31		

Other information:

20. Short-term borrowings

(1) Category of short-term borrowings

In RMB

Item	Closing balance	Opening balance
Credit borrowings	42,000,000.00	39,000,000.00
Discounting of notes		40,000,000.00
L/C discounting		10,000,000.00
Interest on borrowings	34,268.06	40,578.47
Total	42,034,268.06	89,040,578.47

Description for categories of short-term borrowings:

21. Financial liabilities held for trading

In RMB

Item	Closing balance	Opening balance
Financial liabilities held for trading		4,570,481.78
Incl.:		
Contingent consideration		4,570,481.78
Incl.:		
Total		4,570,481.78

Other information:

22. Notes payable

In RMB

Category	Closing balance	Opening balance
Bank acceptance bills	4,918,057.11	6,040,828.41
Total	4,918,057.11	6,040,828.41

The total amount of notes payable that have matured but not yet been paid at the end of the current period is RMB0.00.

23. Accounts payables

(1) Presentation of Accounts payables

In RMB

Item	Closing balance	Opening balance
Materials payable	69,564,868.58	68,862,817.40
Construction payable	39,059,355.91	19,049,113.66
Transportation, energy and other expenses	3,282,208.22	2,091,557.67
Equipment payable	1,742,298.23	2,909,828.13
Total	113,648,730.94	92,913,316.86

(2) Significant Accounts payables aged over one year or overdue

In RMB

Item	Closing balance	Reason for failure to be repaid or carried forward
Jiaxing Hongguo Construction Co., Ltd.	6,838,515.59	Main construction payment for Phase II factory building of Tuson Precision, not yet settled
Total	6,838,515.59	

Other information:

24. Other payables

In RMB

Item	Closing balance	Opening balance
Other payables	13,351,192.96	21,527,428.71
Total	13,351,192.96	21,527,428.71

(1) Other payables

1) Other payables presented by nature

In RMB

Item	Closing balance	Opening balance
Repurchase obligation for restricted shares	12,554,944.00	20,924,906.66
Suspense payables	521,432.69	570,522.05
Security deposit	192,000.00	32,000.00
Late payment penalties	82,816.27	
Total	13,351,192.96	21,527,428.71

2) Significant other payables aged over 1 year or overdue

In RMB

Item	Closing balance	Reason for failure to be repaid or carried forward
Repurchase obligation for restricted shares	12,554,944.00	The Company recognizes repurchase obligation for unvested restricted shares
Total	12,554,944.00	

3) Other payables to the top five counterparties by closing balance

Other information:

25. Contract liabilities

In RMB

Item	Closing balance	Opening balance
Receipts in advance	367,687.57	609,762.30
Total	367,687.57	609,762.30

Significant contract liabilities aged over 1 year

In RMB

Item	Closing balance	Reasons for non-settlement or not carried forward

Amounts and reasons for significant changes in carrying value during the reporting period

In RMB

Item	Changes	Reason for changes

26. Employee benefits payable

(1) Presentation of employee benefits payable

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term benefits	13,798,969.21	87,109,370.01	87,976,106.34	12,932,232.88
II. Post-employment benefits-defined contribution plan	427,763.40	5,469,488.33	4,989,044.65	908,207.08
Total	14,226,732.61	92,578,858.34	92,965,150.99	13,840,439.96

(2) Presentation of short-term employee benefits

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	13,460,082.68	76,369,313.81	77,277,332.38	12,552,064.11
2. Employee welfare expenses		4,897,237.65	4,897,237.65	
3. Social security contributions	294,701.53	3,486,127.53	3,446,795.29	334,033.77
Incl.: Medical insurance	268,628.15	3,113,446.72	3,107,237.97	274,836.90
Work-related injuries insurance	26,073.38	372,680.81	339,557.32	59,196.87
4. Housing provident fund	44,185.00	2,188,684.00	2,186,734.00	46,135.00
5. Trade union fees and employee education expenses		168,007.02	168,007.02	
Total	13,798,969.21	87,109,370.01	87,976,106.34	12,932,232.88

(3) Presentation of defined contribution plans

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pensions	413,011.76	5,280,087.06	4,816,207.84	876,890.98
2. Unemployment insurance	14,751.64	189,401.27	172,836.81	31,316.10
Total	427,763.40	5,469,488.33	4,989,044.65	908,207.08

Other information:

27. Taxes payable

In RMB

Item	Closing balance	Opening balance
VAT	164,297.65	726,220.78
Enterprise income tax	3,150,991.43	2,645,384.34
Individual income tax	109,020.02	112,799.19

Urban maintenance and construction tax	108,693.51	321,414.90
Land use tax	1,360,027.80	138,085.78
Property tax	920,619.24	772,637.99
Education surcharges	49,628.19	192,848.99
Stamp duty	45,069.10	15,213.30
Local education surcharges	33,085.45	138,789.12
Total	5,941,432.39	5,063,394.39

Other information:

28. Non-current liabilities to be settled within one year

In RMB

Item	Closing balance	Opening balance
Interest on bonds payable due within one year	2,078,800.80	1,707,792.77
Total	2,078,800.80	1,707,792.77

Other information:

29. Other current liabilities

In RMB

Item	Closing balance	Opening balance
Output tax to be transferred	46,460.39	79,269.10
Total	46,460.39	79,269.10

Changes in short-term bonds payable:

Name of bond	Par value	Coupon rate	Issue date	Term of bond	Issue amount	Opening balance	Issue for the period	Interest accrued based on par value	Amortization of premiums or discounts	Repayment for the period		Closing balance	Whether in default
Total													

Other information:

30. Bonds payable

(1) Bonds payable

In RMB

Item	Closing balance	Opening balance
Convertible bonds	150,278,560.00	199,569,868.19
Total	150,278,560.00	199,569,868.19

(2) Changes in bonds payable (excluding preference shares, perpetual bonds and other financial instruments classified as financial liabilities)

In RMB

Name of bonds	Par value	Coupon rate	Issue date	Bond term	Issue amount	Opening balance	Issued during the current period	Interest accrued at par value	Amortization of premium/discount	Repaid during the current period	Decrease in par value due to conversion during the current period	Amortization of premium/discount transferred out due to conversion during the current period	Closing balance	Whether in default
Fenglong convertible bonds	100.00		2021/1/8	6 years	245, 000, 000. 00	199, 569, 868. 19		2,078,800.83	14,632,867.26		70,737,000.00	8,891,625.38	150, 278, 560. 00	No
Total	——				245, 000, 000. 00	199, 569, 868. 19		2,078,800.83	14,632,867.26		70,737,000.00	8,891,625.38	150, 278, 560. 00	——

(3) Description of convertible bonds

Upon approval from the China Securities Regulatory Commission in the Reply on Approval of Public Issuance of Convertible Bonds by Zhejiang Fenglong Electric Co., Ltd. (CSRC License [2020] No. 3335), the Company publicly issued convertible bonds with a par value of RMB245 million on January 8, 2021 (hereinafter referred to as the "convertible bonds"). The convertible bonds have a term of six years with interest paid annually. The principal and the interest for the final year will be repaid at maturity. The coupon rates are 0.5% for the first year, 0.7% for the second year, 1.2% for the third year, 1.8% for the fourth year, 2.5% for the fifth year and 3.0% for the sixth year. The conversion period commences from the first trading day six months after the completion of issuance and ends on the maturity date of the convertible bonds (i.e., from July 14, 2021 to January 7, 2027). The initial conversion price was RMB17.97 per share. In June 2021, as a result of the implementation of the Company's 2020 profit distribution plan, the conversion price was adjusted to RMB12.73 per share, and the adjusted conversion price became effective on June 8, 2021. In June 2022, as a result of the implementation of the Company's 2021 profit distribution plan, the conversion price was adjusted to RMB12.63 per share, and the adjusted conversion price became effective on June 29, 2022.

31. Deferred income

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government grants	3,329,501.33	2,410,200.00	1,336,617.58	4,403,083.75	Government grants related to assets
Total	3,329,501.33	2,410,200.00	1,336,617.58	4,403,083.75	--

Other information:

32. Share capital

In RMB

	Opening balance	Increase or decrease (+, -)					Closing balance
		New shares	Bonus shares	Capitalization of capital reserve	Others	Sub-total	

Total shares	199,172,306.00				5,600,443. 00	5,600,443. 00	204,772,749.00

Other information:

During 2023, a total of 707,370 convertible bonds were converted into shares, resulting in an increase in capital of RMB5,600,443.00.

33. Other equity instruments

(1) Basic information on preference shares, perpetual bonds and other financial instruments outstanding at period end

Upon approval from the China Securities Regulatory Commission (CSRC License [2020] No. 3335), the Company publicly issued 2,450,000 convertible bonds with a par value of RMB100.00 each, issued at par value, for a total issue amount of RMB245,000,000.00. After deducting underwriting fees, sponsorship fees and other external expenses directly attributable to the issuance of convertible bonds, the net proceeds raised amounted to RMB238,321,574.46. The receipt of the above proceeds was verified by Pan-China Certified Public Accountants LLP and a capital verification report (Tian Jian Yan [2021] No. 10) was issued.

(2) Changes in preference shares, perpetual bonds and other financial instruments outstanding at period end

In RMB

Financial instruments outstanding	Opening		Increase		Decrease		Closing	
	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value
Convertible bonds	2,439,704.00	62,065,882.53			707,370.00	17,995,438.51	1,732,334.00	44,070,444.02
Total	2,439,704.00	62,065,882.53			707,370.00	17,995,438.51	1,732,334.00	44,070,444.02

Description of changes in other equity instruments during the current period, reasons for changes and basis for relevant accounting treatment:

The decrease during the current period was due to conversion of convertible bonds into shares.

Other information:

34. Capital reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (share capital premium)	118,873,941.67	83,690,749.44		202,564,691.11
Other capital reserve	11,729,202.00	-2,275,410.00	9,453,792.00	
Total	130,603,143.67	81,415,339.44	9,453,792.00	202,564,691.11

Other information, including changes and reasons therefor:

(1) Description of changes in share premium

The increase in share premium of RMB83,690,749.44, of which RMB9,453,792.00 was due to the unlocking of the employee shareholding plan and the transfer of other capital reserves to share premium, and RMB74,236,957.44 was due to the premium portion from the exercise of convertible bonds being transferred to share premium.

(2) Description of changes in other capital reserve

The increase in other capital reserves of RMB-2,275,410.00 was due to the reversal of share-based payment for failing to meet exercise conditions in 2023. The decrease in other capital reserves of RMB9,453,792.00 was due to the unlocking of the employee shareholding plan and the transfer of other capital reserves to share premium.

35. Treasury shares

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Restricted shares	20,924,906.66		8,369,962.66	12,554,944.00
Total	20,924,906.66		8,369,962.66	12,554,944.00

Other information, including changes and reasons therefor:

In December 2022, as the restricted shares had not yet met the vesting conditions, the Company accounted for them as treasury shares and recognized the related liability for the repurchase obligation by recognizing other payables of RMB20,924,906.66.

During the current period, 1,272,030 shares were unlocked under the employee shareholding plan, including 1,079,200 shares granted to incentive recipients and 192,830 reserved shares, at a transfer price of RMB 6.58 per share, with an unlocking amount of RMB 8,369,962.66. Treasury shares and repurchase obligations payable were reduced by the same amount accordingly.

36. Other comprehensive income

In RMB

Item	Opening balance	Amount in the current period						Closing balance
		Amount before income tax for the current period	Less: Amount included in other comprehensive income for the prior periods and transferred to the profit or loss for the current period	Less: Amount included in other comprehensive income for the prior periods and transferred to the retained earnings for the current period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests after tax	
II. Other comprehensive income that will be reclassified to profit or loss	-29,116.58	28,669.08				28,669.08		-447.50

Translation differences of financial statements denominated in foreign currencies	-29,116.58	28,669.08				28,669.08		-447.50
Other comprehensive incomeTotal	-29,116.58	28,669.08				28,669.08		-447.50

Other information, including adjustment of the effective part of the cash flow hedge gains and losses transferred to initially recognized amount of hedged items:

37. Surplus reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	27,186,161.35			27,186,161.35
Total	27,186,161.35			27,186,161.35

Descriptions of surplus reserve, including changes for the current period and reasons therefor:

38. Undistributed profit

In RMB

Item	Amount in the current period	Amount in the prior period
Adjusted opening undistributed profits	309,199,203.46	283,061,540.25
Add: Net profit attributable to owners of the parent company for the current period	-7,040,170.40	48,592,436.32
Less: Appropriation to statutory surplus reserve		2,540,738.41
Dividends payable for ordinary shares		19,914,034.70
Closing balance of undistributed profits	302,159,033.06	309,199,203.46

Details of adjustments to the opening balance of undistributed profits:
1) Effect on the opening balance of undistributed profits due to retrospective adjustment pursuant to the Accounting Standards for Business Enterprises and related new provisions: Nil.
2) Effect on the opening balance of undistributed profits due to changes in accounting policies: Nil.
3) Effect on the opening balance of undistributed profits due to the correction of material accounting errors: Nil.
4) Effect on the opening balance of undistributed profits due to changes in the scope of consolidation resulting from business merger involving entities under common control: Nil.
5) Effect on the opening balance of undistributed profits due to other adjustments: Nil.

39. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	431,534,701.84	350,924,120.54	581,460,244.32	446,010,229.82
Other business	1,795,702.35	1,224,895.39	5,869,551.75	6,487,987.52
Total	433,330,404.19	352,149,015.93	587,329,796.07	452,498,217.34

Is the lower of the audited net profit before and after deduction of non-recurring gain or loss negative
☑Yes ☐No

In RMB

Item	Current year	Specific deduction details	Prior year	Specific deduction details
Operating revenue	433,330,404.19	/	587,329,796.07	/

Total deductions from operating revenue	1,795,702.35	Entrusted processing revenue and revenue from sales of scrap materials, which are revenue outside the normal operations of the listed company	5,869,551.75	Entrusted processing revenue and revenue from sales of scrap materials, which are revenue outside the normal operations of the listed company
Percentage of total deductions from operating revenue to operating revenue	0.41%		1.00%	
I. Revenue from businesses unrelated to principal operations				
1. Other business revenue outside normal operations, such as revenue realized from leasing fixed assets, intangible assets and packaging materials, sales of materials, non-monetary asset exchanges using materials, entrusted management business, as well as revenue that is recorded in principal operating revenue but is outside the normal operations of the listed company.	1,795,702.35	Entrusted processing revenue and revenue from sales of scrap materials, which are revenue outside the normal operations of the listed company	5,869,551.75	Entrusted processing revenue and revenue from sales of scrap materials, which are revenue outside the normal operations of the listed company
Subtotal of revenue from businesses unrelated to principal operations	1,795,702.35	Entrusted processing revenue and revenue from sales of scrap materials, which are revenue outside the normal operations of the listed company	5,869,551.75	Entrusted processing revenue and revenue from sales of scrap materials, which are revenue outside the normal operations of the listed company
II. Revenue lacking commercial substance				
Subtotal of revenue lacking commercial substance	0.00	N/A	0.00	N/A
Operating revenue after deductions	431,534,701.84	/	581,460,244.32	/

Breakdown of operating revenue and operating costs:

In RMB

Category of contract	Segment 1		Segment 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Types of business								
Incl.:								
Garden machinery	129,044,983.48	106,367,976.42					129,044,983.48	106,367,976.42
Automotive parts	110,258,426.82	91,750,146.06					110,258,426.82	91,750,146.06
Hydraulic components	135,844,631.73	110,184,260.77					135,844,631.73	110,184,260.77
Others	58,182,362.16	43,846,632.68					58,182,362.16	43,846,632.68
By operating region								
Incl.:								
Domestic	281,949,618.80	230,583,813.42					281,949,618.80	230,583,813.42
Overseas	151,380,785.39	121,565,202.51					151,380,785.39	121,565,202.51
By market or customer type								
Incl.:								
By contract type								
Incl.:								
By transfer time of goods								
Incl.:								
Revenue recognized at a point in time	433,330,404.19	352,149,015.93					433,330,404.19	352,149,015.93
By term of contract								
Incl.:								
By sales channel								
Incl.:								
Total	433,330,404.19	352,149,015.93					433,330,404.19	352,149,015.93

Information related to performance obligations:

Item	Timing of satisfaction of performance obligations	Significant payment terms	Nature of goods the Company promises to transfer	Whether acting as principal	Amounts expected to be refunded to customers	Type of quality assurance provided by the Company and related obligations

Other information

Information related to the transaction price allocated to the outstanding performance obligations:

The revenue corresponding to performance obligations under contracts signed but not yet performed or not yet fully performed as at the end of the reporting period amounts to RMB0.00.

Information related to variable consideration in contracts:

Major contract modifications or significant adjustments to transaction prices

In RMB

Item	Accounting treatment	Amount of impact on revenue

Other information:

Revenue recognized during the current period that was included in the opening balance of contract liabilities amounted to RMB 609,598.58.

40. Taxes and surcharges

In RMB

Item	Amount in the current period	Amount in the prior period
Urban maintenance and construction tax	1,063,704.34	1,059,622.23
Education surcharges	537,877.06	635,773.37
Property tax	999,650.61	772,638.02
Land use tax	1,360,027.80	138,085.78
Vehicle and vessel tax	15,464.88	12,284.88
Stamp duty	265,877.57	224,336.46
Local education surcharges	348,361.63	434,072.01
Total	4,590,963.89	3,276,812.75

Other information:

41. Administrative expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	23,978,360.29	24,837,676.25
Depreciation and amortization	6,332,073.33	6,820,287.52
Agency and consulting fees	2,665,993.45	2,510,353.66

Transportation and travel expenses	2,314,511.54	2,205,796.11
Office expenses	1,223,211.53	1,466,108.25
Share-based payment	-1,118,798.00	5,446,895.00
Repair and renovation expenses	1,984,244.72	1,350,622.77
Business entertainment expenses	814,922.77	1,142,732.52
Others	2,140,794.66	2,134,490.09
Total	40,335,314.29	47,914,962.17

Other information:

42. Selling expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Business entertainment expenses	3,554,473.98	3,582,770.06
Employee benefits	2,945,377.10	3,077,304.44
Travel expenses	1,671,991.95	1,049,813.49
Business promotion expenses	194,444.17	63,825.25
Office expenses	176,688.46	176,693.23
Share-based payment	-134,320.00	916,880.00
Others	794,502.10	1,105,572.59
Total	9,203,157.76	9,972,859.06

Other information:

43. Research and development expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	17,354,036.86	17,746,002.50
Direct materials	7,707,295.96	13,414,987.99
Depreciation and amortization	2,500,023.57	2,317,005.06
Share-based payment	-940,532.00	3,696,574.00
Utilities	793,754.04	929,165.81
Certification fees	243,802.31	370,461.27
Others	431,120.22	392,242.61
Total	28,089,500.96	38,866,439.24

Other information:

44. Financial expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Interest expense	4,072,590.17	8,083,643.50
Interest income	-1,657,585.34	-904,517.62
Foreign exchange gains and losses	-2,196,321.32	-8,153,782.93
Charges	110,192.44	200,044.73

Total	328,875.95	-774,612.32

Other information:

45. Other income

In RMB

Source of other income	Amount in the current period	Amount in the prior period
Government grants related to income	2,403,338.22	7,312,432.94
Government grants related to assets	1,336,617.58	649,130.08
Additional deduction for VAT	1,460,317.16	
Refund of service fees of withholding individual income tax	36,406.37	36,513.79
Total	5,236,679.33	7,998,076.81

46. Gains from changes in fair value

In RMB

Sources of gains from changes in fair value	Amount in the current period	Amount in the prior period
Financial assets held for trading	-52,377.66	1,720,804.68
Incl.: Gains from changes in fair value arising from derivative financial instruments	-52,377.66	1,720,804.68
Total	-52,377.66	1,720,804.68

Other information:

47. Investment income

In RMB

Item	Amount in the current period	Amount in the prior period
Income from long-term equity investments under equity method	-657,654.90	2,031,363.60
Investment income from disposal of long-term equity investments	-81,575.36	
Investment income from disposal of Financial assets held for trading	628,832.50	-95,307.98
Investment income from wealth management products	1,991,831.63	2,765,376.11
Interest on bill discounting	-60,001.48	-82,064.40
Total	1,821,432.39	4,619,367.33

Other information:

48. Impairment losses of credit

In RMB

Item	Amount in the current period	Amount in the prior period
Bad debt losses of accounts receivables	-125,606.33	3,269,528.85
Bad debt losses of other receivables	-245,918.86	1,512,915.28
Total	-371,525.19	4,782,444.13

Other information:

49. Impairment losses of assets

In RMB

Item	Amount in the current period	Amount in the prior period
I. Loss on inventory write-down and impairment loss on costs to fulfill a contract	-7,642,525.80	-3,962,675.51
VI. Impairment losses of construction in progress		-135,000.00
X. Impairment losses of goodwill	-176,731.47	-175,494.55
XI. Impairment losses of contractual assets	44,721.34	-296,085.00
Total	-7,774,535.93	-4,569,255.06

Other information:

50. Income from disposal of assets

In RMB

Source of income from disposal of assets	Amount in the current period	Amount in the prior period
Income from disposal of fixed assets	-219,328.27	-391,469.16
Total	-219,328.27	-391,469.16

51. Non-operating revenues

In RMB

Item	Amount in the current period	Amount in the prior period	Amount included in the non-recurring gain or loss for the current period
Payment not to be made	77,247.60	56,755.00	77,247.60
Others	1,436.11	3,504.40	1,436.11
Total	78,683.71	60,259.40	78,683.71

Other information:

52. Non-operating expenses

In RMB

Item	Amount in the current period	Amount in the prior period	Amount included in the non-recurring gain or loss for the current period
External donations	100,000.00	124,850.00	100,000.00
Others	133,543.67	15,041.59	133,543.67
Total	233,543.67	139,891.59	233,543.67

Other information:

53. Income tax expenses

(1) Table of income tax expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Current income tax expenses	3,441,714.29	3,215,691.39
Deferred income tax expenses	717,516.23	-2,152,673.34
Total	4,159,230.52	1,063,018.05

(2) Reconciliation of income tax expenses to the accounting profit

In RMB

Item	Amount in the current period
Total profit	-2,880,939.88
Income tax expense calculated based on statutory/applicable tax rate	-432,140.96
Impact of different tax rates applicable to subsidiaries	-325,989.34
Impact of adjustments to income tax of prior periods	632,746.63
Impact of non-taxable income	383,971.68
Effect of non-deductible cost, expense and loss	1,693,720.42
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	5,441,550.19
Additional deduction for research and development expenses	-4,117,195.23
Tax and accounting differences in share-based payment	747,972.00
Changes in opening balance of deferred income tax due to tax rate adjustments	134,595.13
Income tax expenses	4,159,230.52

Other information:

54. Other comprehensive income

See Note 36.

55. Items of the cash flow statement

(1) Cash related to operating activities

Other cash receipts relating to operating activities

In RMB

Item	Amount in the current period	Amount in the prior period
Refund of margin for bank acceptance bills	16,955,834.03	36,555,438.57
Government grants	4,813,538.22	7,312,432.94
Interest income received from bank deposits	2,115,852.75	904,517.62
Deposits received	516,050.00	
Other	37,840.48	240,641.43
Total	24,439,115.48	45,013,030.56

Description of other cash receipts relating to operating activities:

Other cash paid relating to operating activities

In RMB

Item	Amount in the current period	Amount in the prior period
Other operating and administrative expenses paid	15,954,180.81	19,635,501.60
Bill deposits and others paid	14,720,065.05	34,072,991.15
Deposits paid	191,750.00	
Other operating-related payments, net	416,149.68	422,502.48
Total	31,282,145.54	54,130,995.23

Description of other cash paid relating to operating activities:

(2) Cash relating to investing activities

Other cash received relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Land deposit refunded		1,740,000.00
Total		1,740,000.00

Significant other cash received relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Redemption of wealth management products	932,111,000.00	600,129,000.00
Disposal of associates	19,816,154.55	
Income from wealth management products	4,636,434.37	2,765,376.11
Settlement of derivative financial instruments	1,701,255.00	
Other	4,426.39	
Total	958,269,270.31	602,894,376.11

Description of other cash received relating to investing activities:

Other cash paid relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Performance completion compensation payment	4,500,000.00	
Total	4,500,000.00	

Significant other cash paid relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Construction in progress	58,382,406.81	89,463,546.87
Purchase of fixed assets	2,913,455.58	4,820,288.93
Purchase of other non-current assets	1,542,899.90	3,002,111.82
Purchase of long-term deferred expenses	358,788.97	434,755.58
Purchase of intangible assets	225,500.00	408,876.00
Purchase of wealth management products	937,354,000.00	490,128,000.00

Total	1,000,777,051.26	588,257,579.20

Description of other cash paid relating to investing activities:

(3) Cash relating to financing activities

Other cash received relating to financing activities

In RMB

Item	Amount in the current period	Amount in the prior period

Description of other cash received relating to financing activities:

Other cash paid relating to financing activities

In RMB

Item	Amount in the current period	Amount in the prior period

Description of other cash paid relating to financing activities:

Changes in liabilities arising from financing activities

☑Applicable ☐N/A

In RMB

Item	Opening balance	Increase		Decrease		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	89,040,578.47	63,000,000.00	998,235.17	111,004,545. 58		42,034,268.06
Bonds payable	199,569,868. 19				49,291,308.19	150,278,560. 00
Non-current liabilities to be settled within one year	1,707,792.77		2,078,800.83	1,707,792.80		2,078,800.80
Total	290,318,239. 43	63,000,000.00	3,077,036.00	112,712,338. 38	49,291,308.19	194,391,628. 86

56. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

In RMB

Supplementary information	Amount in the current period	Amount in the prior period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	-7,040,170.40	48,592,436.32
Add: Provision for asset impairment	8,146,061.12	-213,189.07
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	26,864,412.81	26,492,871.53
Depreciation of right-of-use assets		
Amortization of intangible assets	3,447,916.93	3,524,078.37

Amortization of long-term prepaid expenses	1,132,189.63	1,159,954.15
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	219,328.27	391,469.16
Losses on retirement of fixed assets (gains are indicated by "-")		
Losses from changes in fair value (gains are indicated by "-")	52,377.66	-1,720,804.68
Financial expenses (gains are indicated by "－")	1,876,268.85	-70,139.43
Investment losses (gains are indicated by "—")	-1,881,433.87	-4,701,431.73
Decrease in deferred tax assets (increase is indicated by "—")	2,648,902.39	-2,442,677.10
Increase in deferred tax liabilities (decrease is indicated by "—")	-1,931,386.16	290,003.76
Decrease in inventories (increase is indicated by "—")	32,715,037.14	42,216,038.04
Decrease in receivables from operating activities (increase is indicated by "—")	-1,579,505.29	70,428,449.96
Increase in payables from operating activities (decrease is indicated by "—")	10,146,368.99	-51,999,673.70
Others	-2,275,410.00	10,449,001.00
Net cash flows from operating activities	72,540,958.07	142,396,386.58
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within 1 year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	142,521,631.80	164,537,128.22
Less: Opening balance of cash	164,537,128.22	128,513,401.67
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-22,015,496.42	36,023,726.55

(2) Composition of cash and cash equivalents

In RMB

Item	Closing balance	Opening balance
I. Cash	142,521,631.80	164,537,128.22
Incl.: Cash on hand	50,360.15	101,417.98
Bank deposit that can be paid at any time	142,469,184.39	161,432,117.94
Other monetary funds that can be paid at any time	2,087.26	3,003,592.30
III. Closing balance of cash and cash equivalents	142,521,631.80	164,537,128.22

(3) Cash at bank and on that are not classified as cash and cash equivalents

In RMB

Item	Amount in the current period	Amount in the prior period	Reasons for not being classified as cash and cash equivalents
Other Cash at bank and on	1,633,126.01	3,868,894.99	Bank acceptance bill deposits
Total	1,633,126.01	3,868,894.99	

Other information:

Commercial bills endorsed and transferred without involving cash receipts and payments

Item	Amount in the current period	Amount in the prior period
Amount of commercial bills endorsed and transferred	6,868,837.35	6,790,244.67
Incl.: Payment for goods	6,260,837.35	5,055,013.12
Payment for acquisition of fixed assets and other long-term assets	608,000.00	1,735,231.55

The above amounts have been deducted from “Cash received from sale of goods and rendering of services”, “Cash payments for goods purchased and services received” and “Cash payments to acquire or construct fixed assets, intangible assets and other long - term assets” in the cash flow statement.

57. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

In RMB

Item	Closing balance of foreign currency	Exchange rate	Translated balance in RMB at the end of the period
Cash at bank and on			62,965,001.85
Incl.: USD	4,830,378.92	7.0827	34,212,124.78
EUR	3,508,577.75	7.8592	27,574,614.25
HKD			
JPY	23,471,371.00	0.0502	1,178,262.82
Accounts receivables			37,625,124.15
Incl.: USD	3,828,037.64	7.0827	27,112,842.19
EUR	856,101.80	7.8592	6,728,275.27
HKD			
JPY	75,378,619.37	0.0502	3,784,006.69
Long-term borrowings			
Incl.: USD			
EUR			
HKD			
Accounts payables			499,716.39
Incl.: USD	68,894.27	7.0827	487,957.45
EUR	1,496.20	7.8592	11,758.94

Other information:

(2) Descriptions of overseas operating entities, including disclosure of the main overseas business locations, functional currency and the basis for selection of important overseas operating entities, and the reasons for changes in functional currency (if any).

☑Applicable ☐N/A

Fenglong Hong Kong's principal place of business is Hong Kong. Based on the currency in the primary economic environment in which it operates, US dollars is selected as its functional currency.

58. Leases

(1) The Company as lessee

☑Applicable ☐N/A

Variable lease payments not included in the measurement of lease liabilities

☐Applicable ☑N/A

Lease expenses for short-term leases or leases of low-value assets using simplified treatment

☑Applicable ☐N/A

The Company's accounting policies for short-term leases and leases of low-value assets are detailed in Note V.28 of this financial report. The amounts of short-term lease expenses and low-value asset lease expenses recognized in profit or loss for the current period are as follows:

Item	Amount in the current period	Amount in the prior period
Short-term lease expenses	681,940,41	834,193.27
Total	681,940,41	834,193.27

Lease-related profit or loss and cash flows for the current period

Item	Amount in the current period	Amount in the prior period
Total cash outflows related to leases	681,940,41	834,193.27

Matters relating to sale and leaseback transactions

N/A.

VIII. Research and Development Expenditure

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	17,354,036.86	17,746,002.50
Direct materials	7,707,295.96	13,414,987.99
Depreciation and amortization	2,500,023.57	2,317,005.06
Utilities	793,754.04	929,165.81
Other	431,120.22	392,242.61
Certification fees	243,802.31	370,461.27
Share-based payment	-940,532.00	3,696,574.00
Total	28,089,500.96	38,866,439.24
Incl: Research and development expenditure expensed	28,089,500.96	38,866,439.24

IX. Interests in Other Entities

1. Interests in subsidiaries

(1) Composition of enterprise group

In RMB

Name of subsidiary	Registered capital	Main business place	Registered address	Nature of business	Shareholding ratio		Method of acquisition
					Direct	Indirect	
Zhejiang Haolong Electric Co., Ltd.	7,800,000. 00[1]	Shaoxing	Shaoxing	Automotive parts manufacturing	62.03%	37.97%	Business merger involving entities under common control
Yicheng Motor	2,800,000. 00[2]	Shaoxing	Shaoxing	Electromechanical manufacturing	70.00%	30.00%	Business merger involving entities not under common control
Fenglong Hong Kong	4,900,000. 00[3]	New Territories, Hong Kong	New Territories, Hong Kong	Investment management	100.00%		Establishment
Tuson Precision	190,866,828.68	Jiaxing	Jiaxing	Electromechanical manufacturing	100.00%		Business merger involving entities not under common control
Hangzhou Fenglong Technology Co., Ltd.	10,000,000.00	Hangzhou	Hangzhou	Research and development and services	100.00%		Establishment
Zhejiang Fenlan Smart Manufacturing Co., Ltd. (hereinafter referred to as "Fenlan Smart Manufacturing ")[4]	10,000,000.00	Shaoxing	Shaoxing	Automotive parts manufacturing	70.00%		Establishment

Notes: 1 Currency is USD.
2 Currency is USD.
3 Currency is USD.
4 The Company has not yet injected capital into Fenlan Smart Manufacturing, and Fenlan Smart Manufacturing has not commenced operations. On March 22, 2024, upon approval at the 17th meeting of the 3rd Board of Directors, the Company intends to deregister Fenlan Smart Manufacturing.

In RMB

Descriptions of the difference between the shareholding ratio and the proportion of voting rights in a subsidiary:
N/A.
Basis for holding half of the voting rights or below but still controlling the investee, and holding over half of the voting rights but having no control over the investee:
N/A.
Basis for controls over significant structured entities included in consolidation scope:
N/A.
Basis for determining the Company as the agent or the principal:

N/A.

Other information:

Note 1: The Company holds 62.0253% equity interest in Zhejiang Haolong Electric Co., Ltd., and Fenglong Motor (Hong Kong) Limited holds 37.9747% equity interest in Zhejiang Haolong Electric Co., Ltd. Therefore, the Company holds a total of 100.00% equity interest in Zhejiang Haolong Electric Co., Ltd., with an equity interest ratio of 100.00%.

Note 2: The Company holds 70.00% equity interest in Shaoxing Yicheng Motor Co., Ltd., and Fenglong Motor (Hong Kong) Limited holds 30.00% equity interest in Shaoxing Yicheng Motor Co., Ltd. Therefore, the Company holds a total of 100.00% equity interest in Shaoxing Yicheng Motor Co., Ltd., with an equity interest ratio of 100.00%.

X. Government grants

1. Government grants recognized based on receivable amounts at the end of the reporting period

☐Applicable ☑N/A

Reasons for failure to receive the expected amount of government grants at the expected time

☐Applicable ☑N/A

2. Liabilities relating to government grants

☑Applicable ☐N/A

In RMB

Item	Opening balance	New grants in the current period	Amount recognized in non-operating income in the current period	Amount transferred to other income in the current period	Other changes in the current period	Closing balance	Asset-related/income-related
Deferred income	3,329,501. 33	2,410,200. 00		1,336,617. 58		4,403,083. 75	Asset-related

3. Government grants recognized in profit or loss for the current period

☑Applicable ☐N/A

In RMB

Item	Amount in the current period	Amount in the prior period
Other income	3,739,955.80	7,961,563.02

Other information:

XI. Risks Related to Financial Instruments

1. Risks arising from financial instruments

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyze its exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The Company is exposed to various risks associated with financial instruments in its daily routines, primarily including credit risk, liquidity risk and market risk. The management has reviewed and approved policies to manage these risks, summarized as below.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instrument will default on its obligations resulting in financial loss to the counterparty.

1. Management of credit risk

(1) Methods of credit risk assessment

The Company assesses at each balance sheet date whether the credit risk of the underlying financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk ratings and forward-looking information. The Company compares the risk of a default occurring on a financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or a group of financial instruments with similar credit risk characteristics, to determine the change of the risk of a default occurring on a financial instrument over the expected life.

The Company considers the credit risk of financial instruments has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion primarily refers to an increase by more than a specified percentage in the probability of default over the remaining life of the financial instruments as of the balance sheet date when comparing with that at initial recognition of the financial instruments;

2) The qualitative criteria include, inter alia, material adverse changes in business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations, and an actual or expected significant adverse change in the technological, market, economic, or legal environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(2) Definition of default or credit-impaired assets

A financial asset is defined as defaulted when the financial instrument meets one or more conditions stated as below, and the criteria of defining defaulted asset is consistent with that of defining credit-impaired asset:

1) significant financial difficulty of the debtor;

2) a breach of contract terms with binding force by the debtor;

3) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;

4) the creditor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider.

2. Measurement of expected credit loss ("ECL")

Key parameters to measure ECL include the probability of default, loss given default and the exposure at default. The Company established models of the probability of default, loss given default and the exposure at default on the basis of quantitative analysis on historical statistical data (such as counterparty ratings, guarantee methods, collateral category, and repayment methods) and forward-looking information.

3. Details of reconciliation of the opening balance and the closing balance of provision for impairment of financial instruments are set out in Note VII. 3, 4, 5, 6, 7 to the financial statements hereof.

4. Credit risk exposure and credit risk concentration

The Company's credit risk is primarily from cash at bank and on hand and receivables. In order to control the aforementioned risks, the Company has taken the following measures.

(1) Cash at bank and on hand

The credit risk of the Company is limited because the Company has deposited bank deposits and other monetary funds in financial institutions with high credit ratings.

(2) Accounts receivables and contract assets

The Company regularly evaluates the creditworthiness of its customers with deals on credit, and selects to deal with approved and creditworthy customers subject to the results of the credit assessment and monitors the balance of its receivables, so as to ensure that the Company is not exposed to significant risk of bad debt.

No collateral is required since the Company only deals with third parties that are approved and creditworthy. Credit risk concentration is managed by customers. As of December 31, 2023, the Company is exposed to certain concentration of credit risks, as the Company's Accounts receivables and contract assets from top 5 customers have accounted for 47.17% of the total balance of Accounts receivables (December 31, 2022: 56.02%). The Company held no collateral or other credit enhancement measures for the balance of Accounts receivables and contract assets.

The maximum credit risk exposure of the Company is the carrying value of each financial asset in the balance sheet.

(II) Liquidity risk

Liquidity risk refers to the risk that the Company is in shortage of funds in performing obligations that are settled by delivering cash or another financial asset. Liquidity risk may arise from the inability to sell financial assets at fair value quickly enough; or from the counterparty's inability to repay its contractual debts; or from early maturing debts; or from the inability to generate expected cash flows.

In order to control this risk, the Company balances the continuity and flexibility of financing by using various financing measures such as notes settlement and bank borrowings comprehensively and adopting both long-term and short-term financing methods to optimize the financing structure. The Company has received credit facilities from a number of commercial banks to satisfy its working capital requirements and capital expenditures.

Financial liabilities classified by remaining maturity

Item	Closing balance				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years

Short-term borrowings	42,034,268.06	43,209,513.89	43,209,513.89		
Notes payable	4,918,057.11	4,918,057.11	4,918,057.11		
Accounts payables	113,648,730.94	113,648,730.94	113,648,730.94		
Other payables	13,351,192.96	13,351,192.96	13,351,192.96		
Non-current liabilities to be settled within one year	2,078,800.80	2,078,800.80	2,078,800.80		
Bonds payable	150,278,560.00	185,879,438.20		7,449,036.20	178,430,402.00
Sub-total	326,309,609.87	363,085,733.90	177,206,295.70	7,449,036.20	178,430,402.00

(Continued)

Item	Balance at the end of prior year				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	89,040,578.47	89,655,470.14	89,655,470.14		
Financial liabilities held for trading	4,570,481.78	4,570,481.78	4,570,481.78		
Notes payable	6,040,828.41	6,040,828.41	6,040,828.41		
Accounts payables	92,913,316.86	92,913,316.86	92,913,316.86		
Other payables	21,527,428.71	21,527,428.71	21,527,428.71		
Non-current liabilities to be settled within one year	1,707,792.77	1,707,792.77	1,707,792.77		
Bonds payable	199,569,868.19	264,707,884.00		7,319,112.00	257,388,772.00
Sub-total	415,370,295.19	481,123,202.67	216,415,318.67	7,319,112.00	257,388,772.00

(III) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate interest-bearing financial instruments expose the Company to fair value interest rate risk, while floating-rate interest-bearing financial instruments expose the Company to cash flow interest rate risk. The Company decides on the proportion of fixed-rate and floating-rate financial instruments based on market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring. The cash flow interest rate risk faced by the Company mainly relates to the Company's bank borrowings at floating rates.

As of December 31, 2023, the Company's bank borrowings at floating rates amounted to RMB0.00 (December 31, 2022: RMB0.00). Assuming all other variables remain constant and interest rates change by 50 basis points, this would not have a material impact on the Company's total profit and shareholders' equity.

2. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The foreign exchange risk faced by the Company mainly relates to the Company's foreign currency monetary assets and liabilities. For foreign currency assets and liabilities, if short-term imbalances occur, the Company will buy and sell foreign currencies at market exchange rates when necessary to ensure that the net risk exposure is maintained at an acceptable level.

For details of the Company's foreign currency monetary assets and liabilities at period end, please refer to Note VII.57 to these financial statements.

XII. Disclosure of Fair Value

1. Closing balance of the fair value of assets and liabilities measured at fair value

In RMB

Item	Closing balance of fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading			133,242,000.00	133,242,000.00
1. Financial assets at fair value through profit or loss			133,242,000.00	133,242,000.00
Wealth management products			133,242,000.00	133,242,000.00
(II) Financing receivables			27,153,231.35	27,153,231.35
Total assets measured at fair value on a recurring basis			160,395,231.35	160,395,231.35
II. Non-continuous fair value measurement	--	--	--	--

2. Valuation techniques and qualitative and quantitative information of key parameters for items subject to continuous and non-continuous fair value measurements within Level 3

The financial assets held by the Company that are classified as measured at fair value through profit or loss consist of wealth management products purchased during the current period, including money market funds and securities yield certificates, as well as Financing receivables. As these products have short maturities and their expected yields do not differ materially from market interest rate levels, fair value is measured at cost.

XIII. Related Parties and Related-party Transactions

1. Parent company of the Company

Name of the parent company	Registered address	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent company (%)	Proportion of the Company's voting right held by the parent company (%)
Shaoxing Chengfeng Industrial Co., Ltd. (hereinafter referred to as "Chengfeng Industrial")	Shaoxing	Enterprise management consulting services	RMB20 million	42.13%	42.13%

Descriptions of the Company's parent company

The ultimate controlling party of the Company is Dong Jiangang.

Other information:

2. Subsidiaries of the Company

For details of the Company's subsidiaries, please refer to the disclosure on interests in other entities in the notes to the financial statements.

3. Other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company
Zhejiang Fulaite New Materials Co., Ltd.	Controlled subsidiary of Shaoxing Chengfeng Industrial Co., Ltd.
Yuanzhi Partnership	Former associate
Ningbo Delin Machinery Co., Ltd.	Entity in which Yuanzhi Partnership formerly held 21.90% equity interest
Tuson Company	Former minority shareholder of the subsidiary Tuson Precision, no longer held equity interest since October 2021
Du Luojie	Shareholder of Tuson Company
Du Zongda	Cousin of Du Luojie, shareholder of Asahiro International Limited
Tuson Machinery (Dongguan) Co., Ltd.	Former subsidiary of Tuson Company
Lizhi Precision Machinery (Dongguan) Co., Ltd.	Company controlled by Du Luojie and his spouse
Kunshan Hegang Metal Industry Co., Ltd.	Du Luojie serves as supervisor of this company
Jiashan Yinju Mingzhu Hotel Co., Ltd.	Company in which Du Luojie holds equity interest
Shenghong Technology Co., Ltd.	Company controlled by Du Zongda

Other information:

On March 20, 2023, Yuanzhi Partnership exited from all equity interests in Ningbo Delin Machinery Co., Ltd., with all shares acquired by Ningbo Dingrui Industry and Trade Co., Ltd., a shareholding platform controlled by Lu Limeng and his wife, the actual controllers of Ningbo Delin. Therefore, Ningbo Delin Machinery Co., Ltd. has not been included in the Company's related parties since April 2024.

The Company completed the acquisition of the remaining 49% minority equity interest in Tuson Precision on October 8, 2021. Therefore, Tuson Company, the former minority shareholder of Tuson Precision, and the related parties of Du Luojie, the actual controller of Tuson Company, including Tuson Machinery (Dongguan) Co., Ltd., Lizhi Precision Machinery (Dongguan) Co., Ltd., Kunshan Hegang Metal Industry Co., Ltd., Jiashan Yinju Mingzhu Hotel Co., Ltd. and Shenghong Technology Co., Ltd., are no longer included in the scope of the Company's related parties from October 2022.

4. Related-party transactions

(1) Sales and purchase of goods, and rendering and receipt of services

Statement of purchase of goods/receipt of services

In RMB

Related party	Details of related-party transactions	Amount in the current period	Transaction quota approved	Whether exceeding the approved transaction amount	Amount in the prior period
Zhejiang Fulaite New Materials Co., Ltd.	Surface treatment and other processing services	5,010,875.18	4,200,000.00	Yes	5,157,978.43
Tuson Machinery (Dongguan) Co., Ltd.	Components and processing services				15,751,812.13
Tuson Company	Imported components				9,167,268.00
Shenghong Technology Co., Ltd.	Imported components				50,153.29
Jiashan Yinju Mingzhu Hotel Co., Ltd.	Catering and accommodation services				40,881.32
Kunshan Hegang Metal Industry Co., Ltd.	Heat treatment processing services, etc.				27,554.79

Statement of sales of goods/rendering of services

In RMB

Related party	Details of related-party transactions	Amount in the current period	Amount in the prior period
Ningbo Delin Machinery Co., Ltd.	Circuit boards and other components	576,866.42	4,006,825.60
Tuson Company	Hydraulic valves and motor components, etc.		7,510,739.16
Shenghong Technology Co., Ltd.	Motors and accessories, hydraulic valve components, etc.		1,480,411.99
Lizhi Precision Machinery (Dongguan) Co., Ltd.	Hydraulic valve components, etc.		48,500.00
Tuson Machinery (Dongguan) Co., Ltd.	Hydraulic valve components and steel, etc.		8,571.06

Descriptions of related-party transactions with respect to the sales and purchase of goods, as well as rendering and receipt of services

The proposal on forecast of continuing related party transactions for 2023 was approved at the 8th meeting of the third session of the Board of Directors and the 5th meeting of the third session of the Board of Supervisors held on January 30, 2023. The proposal on forecast of continuing related party transactions for 2024 was approved at the 14th meeting of the third session of the Board of Directors and the 10th meeting of the third session of the Board of Supervisors held on January 31, 2024. For details, please refer to the Announcement on Forecast of Continuing Related Party Transactions for 2023 (Announcement No.: 2023-009) and the Announcement on Forecast of Continuing Related Party Transactions for 2024 (Announcement No.: 2024-014) disclosed by the Company on the designated information disclosure media.

(2) Compensation for key officers

In RMB

Item	Amount in the current period	Amount in the prior period
Compensation for key officers	2,565,747.25	2,572,490.27

5. Receivables from and payables to related parties

(1) Accounts receivables

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Provisions for bad debts	Book balance	Provisions for bad debts
Accounts receivables	Ningbo Delin Machinery Co., Ltd.	14,202.88	710.14	634,633.18	31,731.66
Sub-total		14,202.88	710.14	634,633.18	31,731.66
Prepayments	Zhejiang Fulaite New Materials Co., Ltd.	57,177.66		343,554.36	
Sub-total		57,177.66		343,554.36	

XIV. Share-based payment

1. Overall information on share-based payment

☑Applicable ☐N/A

In RMB

Category of grantees	Granted		Exercised		Unlocked		Lapsed	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Management personnel			594,333	5,206,360.00	594,333	5,206,360.00		
Research and development personnel			369,467	3,236,528.00	369,467	3,236,528.00		
Sales personnel			72,600	635,976.00	72,600	635,976.00		
Production personnel			42,800	374,928.00	42,800	374,928.00		
Total			1,079,200	9,453,792.00	1,079,200	9,453,792.00		

Stock options or other equity instruments outstanding at the end of the period

☐Applicable ☑N/A

Other information:

2. Equity-settled share-based payment

☑Applicable ☐N/A

In RMB

Method for determining fair value of equity instruments at grant date	Closing price of shares
Significant parameters for fair value of equity instruments at grant date	RMB 15.34 per share
Basis for determining the number of equity instruments expected to vest	Confirmed based on the number that employees can vest during the service period
Reasons for significant differences between current and prior period estimates	Performance targets not met
Cumulative amount of equity-settled share-based payment recognized in capital reserve	9,453,792.00
Total expenses recognized for equity-settled share-based payment during the current period	-2,275,410.00

Other information:

According to the resolution of the Fourth Extraordinary General Meeting of Shareholders in 2021 and other relevant documents, the Company granted 3,180,077 restricted shares (including the reserved portion and reserved shares held on behalf, the same below) to 65 grantees including Wang Siyuan, at a grant price of RMB6.58 per share. All the restricted shares granted were sourced from treasury shares (A ordinary shares of the Company repurchased from the secondary market), of which the reserved portion amounted to 482,077 shares.

According to the Administrative Measures for the First Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd., the underlying shares acquired by the employee stock ownership plan through non-trade transfer and other methods permitted by laws and regulations shall be unlocked in three batches 12 months after the date when the employee stock ownership plan is approved by the general meeting of shareholders of the Company and the Company announces the transfer of the underlying shares to the employee stock ownership plan, subject to satisfaction of the following conditions:

(1) Time criteria

Unlock arrangement	Unlock date	Unlock proportion
First batch unlock date	12 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	40%
Second batch unlock date	24 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	30%
Third batch unlock date	36 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	30%

(2) Performance assessment criteria

Unlock arrangement	Performance assessment targets
First batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2021 shall be not less than 20%, or the net profit growth rate for 2021 shall be not less than 20%
Second batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2022 shall be not less than 40%, or the net profit growth rate for 2022 shall be not less than 40%
Third batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2023 shall be not less than 60%, or the net profit growth rate for 2023 shall be not less than 60%

(3) Individual performance assessment

The employee stock ownership plan will conduct performance assessment on individuals in accordance with the Company's relevant performance assessment system, and determine the final number of underlying shares to be unlocked by holders based on individual performance assessment results as follows:

Individual performance assessment results	80 (inclusive) - 100 points	60 (inclusive) - 80 points	Below 60 points
Corresponding individual unlock proportion	100%	60%	0%

The above share-based payment needs to be amortized in phases during the vesting period. The Fourth Extraordinary General Meeting of Shareholders in 2021 held on November 15, 2021 approved the employee stock ownership plan, and the date when the general meeting of shareholders passed the resolution is confirmed as the grant date. The period after the grant date is the vesting period. For simplification, the period from December 2021 to December 2024 is confirmed as the vesting period. The closing price of RMB15.34 on the grant date is taken as the fair market value. Employees of the Company purchase shares at prices lower than the fair market value. Due to the existence of the vesting period, the incentive cost will be recognized as costs and expenses in phases during the vesting period (from the grant date to the vesting date).

Assuming that employees do not resign subsequently, the amounts to be recognized as costs and expenses during the vesting period are as follows:

Item	2021	2022	2023	2024
Share-based payment	1,280,201.00	10,449,001.00	-2,275,410.00	

As the Company's actual performance in 2022 and 2023 did not meet the assessment criteria, the second batch and third batch of equity incentives are expected to be unable to be unlocked.

3. Share-based payment expenses for the current period

☑Applicable ☐N/A

In RMB

Category of grantees	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Management personnel	-1,118,798.00	
Research and development personnel	-940,532.00	
Sales personnel	-134,320.00	
Production personnel	-81,760.00	
Total	-2,275,410.00	

Other information:

XV. Commitments and Contingencies

1. Significant commitments

Significant commitments as of the balance sheet date

1. As of December 31, 2023, the actual investment of proceeds from the Company's initial public offering is as follows:

In RMB0'000

Committed investment project	Total project investment	Total committed investment from proceeds	Actual cumulative investment from proceeds
New R&D center project	4,391.03	3,987.65	4,451.74
New project for production of 16 million pieces of key components for garden machinery per annum	12,371.19	12,371.19	12,218.92
New project for production of 18 million pieces of automotive precision aluminum die-cast components per annum	6,523.93	6,523.93	4,483.89
Sub-total	23,286.15	22,882.77	21,154.55

2. As of December 31, 2023, the actual investment of proceeds from the Company's public issuance of convertible bonds is as follows:

In RMB0'000

Committed investment project	Total project investment	Total committed investment from proceeds	Actual cumulative investment from proceeds
Project for production of 3.25 million sets of hydraulic components per annum	21,927.34	18,832.16	9,495.32
Replenishment of working capital	5,000.00	5,000.00	5,000.00
Sub-total	26,927.34	23,832.16	14,495.32

2. Contingencies

(1) The Company shall also disclose if there are no significant contingencies requiring disclosure

The Company has no significant contingencies requiring disclosure.

XVI. Events Subsequent to the Balance Sheet Date

1. Profit distribution

Profit distribution plan	According to the 17th meeting of the third session of the Board of Directors held on March 22, 2024, the Company will not distribute profit for 2023. The above matters need to be further submitted to the 2023 annual general meeting of shareholders for deliberation and approval before implementation.

2. Description of other events subsequent to the balance sheet date

(I) Asset restructuring matters

1. Change of control

On February 5, 2024, Chengfeng Industrial, Dong Jiangang, Li Caixia and Shaoxing Shangyu Weilong Technology Co., Ltd. (hereinafter referred to as "Weilong Technology") entered into a Share Transfer Agreement with Zhejiang Dingdu Yunxiang Tourism Co., Ltd. (hereinafter referred to as "Dingdu Yunxiang"), Chen Xianghong and Tongxiang Xinxiang Enterprise Management Partnership (Limited Partnership) (hereinafter referred to as "Tongxiang Xinxiang"), pursuant to which Chengfeng Industrial agreed to transfer 61,411,347 shares of the Company to Dingdu Yunxiang, Chen Xianghong and Tongxiang Xinxiang at a transfer price of RMB 12.82 per share, for a total consideration of RMB 787 million.

On February 5, 2024, Chengfeng Industrial, Dong Jiangang, Li Caixia and Weilong Technology separately entered into Share Transfer Agreements with Hangzhou Jin Chanchu Investment Management Co., Ltd. (hereinafter referred to as "Jin Chanchu Investment") and Hangzhou Youyizeng Investment Management Co., Ltd. (hereinafter referred to as "Youyizeng Investment"), pursuant to which Chengfeng Industrial agreed to transfer 10,591,737 shares of the Company to funds managed by Jin Chanchu Investment and Youyizeng Investment respectively at a transfer price of RMB 12.82 per share, for a total consideration of RMB 136 million each.

The shareholding positions before and after the equity transfer are as follows:

Shareholder	Before this change in equity interests		Change	After completion of this change in equity interests	
	Number of shares held	Shareholding ratio (%)		Number of shares held	Shareholding ratio (%)
Chengfeng Industrial	86,279,289	42.13	-82,594,821	3,684,468	1.80
Weilong Technology	10,356,579	5.06		10,356,579	5.06
Dong Jiangang	21,238,022	10.37		21,238,022	10.37
Li Caixia	3,972,000	1.94		3,972,000	1.94
Dingdu Yunxiang [Note 1]			40,227,873	40,227,873	19.65
Chen Xianghong			10,591,737	10,591,737	5.17
Tongxiang Xinxiang [Note 2]			10,591,737	10,591,737	5.17
Youyizeng Investment			10,591,737	10,591,737	5.17
Jin Chanchu Investment			10,591,737	10,591,737	5.17
Other	82,926,938	40.50		82,926,938	40.50
Total	204,772,828	100.00		204,772,828	100.00

[Note 1]: Chen Xianghong holds 69.00% of the shares of Zhejiang Dingdu Yunxiang Tourism Co., Ltd. and is its actual controller, constituting a party acting in concert.

[Note 2]: Chen Xianghong holds 20.07% of the shares of Tongxiang Xinxiang Enterprise Management Partnership (Limited Partnership) and is its executive partner, constituting a party acting in concert.

After this equity transfer, Chengfeng Industrial, Weilong Technology, Dong Jiangang and Li Caixia will hold a total of 39,251,069 shares (representing 19.17% of the total share capital of the listed company), and Dingdu Yunxiang, Chen Xianghong and Tongxiang Xinxiang will hold a total of 61,411,347 shares (representing 29.99% of the total share capital of the listed company). Upon completion of the agreement transfer, Dingdu Yunxiang will become the controlling shareholder of the listed company, and Chen Xianghong will become the actual controller of the listed company.

In addition, the share transfer agreement stipulates that from the closing date of the equity transfer to the completion date of the tender offer, Chengfeng Industrial, Weilong Technology, Dong Jiangang and Li Caixia shall waive the voting rights corresponding to a total of 23,322,552 shares of the listed company held by them (representing 11.39% of the total share capital of the listed company), and the aforementioned waived voting rights shall not be restored until the completion date of the tender offer.

2. Asset injection

On February 5, 2024, the Company entered into an Asset Purchase Agreement with Dingdu Tourism Co., Ltd., pursuant to which it intends to purchase 51.00% of the equity interest in Zhejiang Dingdu Scenic Area Management Co., Ltd. held by Dingdu Tourism Co., Ltd. by paying cash. The implementation of the Share Transfer Agreement and the Asset Purchase Agreement is mutually conditional, and if either cannot be implemented, the other will not be implemented.

3. Asset disposal

On February 5, 2024, the Company entered into an Asset Disposal Agreement with Chengfeng Industrial, pursuant to which it intends to sell to Chengfeng Industrial the assets, liabilities and business related to the garden machinery parts and generator inverter components business, including: (1) Assets, namely all assets of the Company (parent company standalone) except for cash at bank and on hand , trading financial assets, Financing receivables, specific other receivables, other current assets, and long-term equity investments (excluding the Company's equity interests in Yicheng Motor and Hangzhou Fenglong Technology Co., Ltd.), 30% equity interest in Yicheng Motor held by Fenglong Hong Kong (Fenglong Hong Kong will transfer the aforementioned 30% equity interest in Yicheng Motor to the Company before delivery) and special equipment related to garden machinery parts in Zhejiang Haolong Electric Co., Ltd.; (2) Liabilities, namely Accounts payables, contract liabilities, employee benefits payable, specific other payables, other current liabilities and deferred income of the Company (parent company standalone). Upon completion of this transaction, Yicheng Motor and Hangzhou Fenglong Technology Co., Ltd. will no longer be included in the scope of the Company's consolidated financial statements. The implementation of the Asset Disposal Agreement is conditional upon the implementation of the Share Transfer Agreement and the Asset Purchase Agreement. If the Share Transfer Agreement and the Asset Purchase Agreement cannot be implemented, the Asset Disposal Agreement will not be implemented.

On the same day, the Asset Purchase Agreement and the Asset Disposal Agreement were approved by the 15th meeting of the third session of the Board of Directors. The final price of this transaction will be determined with reference to the valuation report issued by a valuation institution recognized by both parties and complying with the Securities Law. The parties will separately sign a supplementary agreement based on the transaction price determined through negotiation, and submit it to the Company’s Board of Directors for approval again before submitting it to the Company's general meeting of shareholders for voting.

(II) Acquisition of equity interest in Yicheng Motor

On March 12, 2024, the Company entered into an Equity Transfer Agreement for Shaoxing Yicheng Motor Co., Ltd. with Fenglong Hong Kong, pursuant to which the Company intends to acquire the 30% equity interest in Yicheng Motor held by Fenglong Hong Kong. According to the Asset Valuation Report on the Value of All Shareholders' Equity of Shaoxing Yicheng Motor Co., Ltd. Involved in the Proposed Equity Acquisition by Zhejiang Fenglong Electric Co., Ltd. (Kunyuan Ping Bao [2024] No. 63) issued by Kunag Asset Valuation Co., Ltd., the valuation of all shareholders' equity of Yicheng Motor is RMB 37.958 million. After negotiation between both parties, the overall valuation of 100% equity interest in Yicheng Motor for this transaction is RMB 37.90 million, and the equity transfer price is RMB 11.37 million. Upon completion of the acquisition, Yicheng Motor will become a wholly-owned subsidiary of the Company, and Yicheng Motor will be converted to a domestic-funded enterprise.

(III) Deregistration of Fenlan Smart Manufacturing

Upon approval at the 17th meeting of the third session of the Board of Directors held on March 22, 2024, the Company intends to deregister Fenlan Smart Manufacturing.

XVII. Other Significant Events

1. Segment information

(1) If the Company has no reportable segments, or cannot disclose the total assets and total liabilities of each reportable segment, the reasons shall be stated

The Company's principal business is the production and sale of key parts for garden machinery, automobile parts and hydraulic parts. The Company manages this business as a whole and evaluates its operating results. Therefore, the Company is not required to disclose segment information. The Company's operating revenue and operating costs classified by product and region are detailed in Note VII.39 to these financial statements.

2. Other significant transactions and matters that have an impact on investors’ decisions

As of December 31, 2023, the share pledges of the Company’s major shareholders and senior management are as follows:

Name of shareholder	Number of shares held at period end	Number of shares pledged at period end	Pledge ratio
Shaoxing Chengfeng Industrial Co., Ltd. [Note]	86,279,289	35,782,022	41.47%
Sub-total	86,279,289	35,782,022	41.47%

[Note] On January 25, 2024, Chengfeng Industrial released 13,782,022 pledged shares, with 22,000,000 pledged shares remaining. Upon approval at the 16th meeting of the third session of the Board of Directors held on March 12, 2024, the Company changed the guarantor and collateral for the convertible bonds. After the change, the guarantor is Dong Jiangang, and the collateral consists of 15,928,516 shares of the Company held by Dong Jiangang and a certain amount of deposits.

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

1. Accounts receivables

(1) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	25,519,882.80	26,307,903.32
Total	25,519,882.80	26,307,903.32

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl:										
Accounts receivables for which provision for bad debts is made by group	25,519, 882.80	100.00%	1,275,994.14	5.00%	24,243, 888.66	26,307, 903.32	100.00%	1,315,395.17	5.00%	24,992, 508.15
Incl.:										
Total	25,519, 882.80	100.00%	1,275,994.14	5.00%	24,243, 888.66	26,307, 903.32	100.00%	1,315,395.17	5.00%	24,992, 508.15

Provisions for bad debts made by group：Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	25,519,882.80	1,275,994.14	5.00%
Total	25,519,882.80	1,275,994.14	

Description of basis for determining the group:

If the provision for bad debts on Accounts receivables is made in accordance with the general model of expected credit loss:

☐Applicable ☑N/A

(3) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts made by group	1,315,395.17	-39,401.03				1,275,994.14
Total	1,315,395.17	-39,401.03				1,275,994.14

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reasons for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

(4) Accounts receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant Accounts receivables that are written off:

In RMB

Entity	Nature of Accounts receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of Accounts receivables written off:

No Accounts receivables were written off during the current period.

(5) Top five closing balances of Accounts receivables and contract assets categorized by debtor

In RMB

Entity	Closing balance of Accounts receivables	Closing balance of contract assets	Total closing balance of Accounts receivables and contract assets	Percentage of total closing balance of Accounts receivables and contract assets	Closing balance of provision for bad debts on Accounts receivables and provision for impairment of contract assets
STIHL Group	6,513,629.10		6,513,629.10	25.52%	325,681.46
Techtronic Cordless GP	5,294,167.39		5,294,167.39	20.75%	264,708.37
Zhejiang Baima Technology Co., Ltd.	3,955,601.00		3,955,601.00	15.50%	197,780.05
MTD Products	3,488,847.43		3,488,847.43	13.67%	174,442.37
Emak Group	1,374,530.61		1,374,530.61	5.39%	68,726.53
Total	20,626,775.53		20,626,775.53	80.83%	1,031,338.78

2. Other receivables

In RMB

Item	Closing balance	Opening balance
Other receivables	155,550,680.81	178,172,686.85
Total	155,550,680.81	178,172,686.85

(1) Other receivables

1) Category of other receivables by nature

In RMB

Nature	Closing book balance	Opening book balance
Inter-company receivables	159,199,968.13	182,869,607.13
Receivables of temporary payments	196,269.73	199,682.42
Export VAT refund receivable	122,984.42	324,456.21
Security deposit	92,550.00	167,550.00
Total	159,611,772.28	183,561,295.76

2) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	70,516,115.20	135,860,813.34
1-2 years	41,594,857.08	47,699,682.42
2-3 years	47,500,000.00	
Over 3 years	800.00	800.00
3-4 years		400.00
4-5 years	400.00	400.00
Over 5 years	400.00	
Total	159,611,772.28	183,561,295.76

3) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carry value	Book balance		Provision for bad debts		Carrying amount
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Provision for bad debts on an individual basis	91,500, 000.00	57.33%			91,500, 000.00	76,000, 000.00	41.40%			76,000, 000.00
Incl:										
Provision for bad debts on a collective basis	68,111, 772.28	42.67%	4,061,091.47	5.96%	64,050, 680.81	107,561,295.76	58.60%	5,388,608.91	5.01%	102,172,686.85
Incl:										
Total	159,611,772.28	100.00%	4,061,091.47	2.54%	155,550,680.81	183,561,295.76	100.00%	5,388,608.91	2.94%	178,172,686.85

Provision for bad debts on an individual basis:

In RMB

Name	Opening balance	Closing balance

	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision ratio	Reasons for provision
Tuson Precision	76,000,000.00		91,500,000.00			Convertible bond loans
Total	76,000,000.00		91,500,000.00			

Provision for bad debts on a collective basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Within 1 year	55,016,115.20	2,750,805.76	5.00%
1-2 years	13,094,857.08	1,309,485.71	10.00%
Over 4 years	800.00	800.00	100.00%
Total	68,111,772.28	4,061,091.47	

Basis for determining such group:

Provision for bad debts in accordance with the general model of expected credit loss:

In RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2023	5,368,040.67	19,968.24	600.00	5,388,608.91
Balance as at January 1, 2023 in the current period				
- Transferred to Stage II	-654,742.85	654,742.85		
Provision made during the current period	-1,962,492.06	634,774.62	200.00	-1,327,517.44
Balance as at December 31, 2023	2,750,805.76	1,309,485.71	800.00	4,061,091.47

Basis for classification into each stage and provision ratio for bad debts

Basis for classification into each stage: At each balance sheet date, the Company measures the expected credit losses of financial instruments at different stages separately. For financial instruments whose credit risk has not increased significantly since initial recognition, which are in Stage I, the Company measures loss provisions based on expected credit losses within the next 12 months; for financial instruments whose credit risk has increased significantly since initial recognition but have not yet been credit-impaired, which are in Stage II, the Company measures loss provisions based on lifetime expected credit losses of the instrument; for financial instruments that have been credit-impaired since initial recognition, which are in Stage III, the Company measures loss provisions based on lifetime expected credit losses of the instrument.

Changes in book balance with significant changes in the amount of loss provisions during the current period
☐Applicable ☑N/A

4) Provisions, recovery or reversal of bad debts for the current period

Provision for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts made on other	5,388,608.91	-1,327,517.44				4,061,091.47

receivables						
Total	5,388,608.91	-1,327,517.44				4,061,091.47

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reasons for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

5) Other receivables actually written off for the current period

In RMB

Item	Write-off amount

Information on other receivables of significance that are written off:

In RMB

Entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of other receivables written off:

No other receivables were actually written off during the current period.

6) Top five closing balances of other receivables categorized by debtor

In RMB

Entity	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables	Closing balance of provisions for bad debts
Tuson Precision	Convertible bond loans	91,500,000.00	Within 1 year, 1-2 years, 2-3 years	57.33%	
Zhejiang Haolong Electric Co., Ltd.	Current accounts	67,699,968.13	Within 1 year, 1-2 years	42.42%	4,036,741.26
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch	Suspense payables	196,269.73	Within 1 year	0.12%	9,813.49
State Treasury of the People's Republic of China, Shaoxing Shangyu District Branch	Export tax rebates receivable	122,984.42	Within 1 year	0.08%	6,149.22
Guizhou Huiqun Trading Co., Ltd.	Deposits	50,000.00	1-2 years	0.03%	5,000.00
Total		159,569,222.28		99.98%	4,057,703.97

3. Long-term equity investments

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	275,027,830. 47		275,027,830. 47	275,635,774. 47		275,635,774. 47
Investments in associates and joint ventures				20,559,811.20		20,559,811.20
Total	275,027,830. 47		275,027,830. 47	296,195,585. 67		296,195,585. 67

(1) Investments in subsidiaries

In RMB

Investees	Opening balance (Carrying value)	Opening balance of provision for impairment	Changes during the current period				Closing balance (Carrying value)	Closing balance of provision for impairment
			Additional investment	Decreased investment	Provision for impairment	Others		
Tuson Precision	188,166,432.47					- 421,502.00	187,744,930.47	
Zhejiang Haolong Electric Co., Ltd.	48,441,443.99					- 398,288.00	48,043,155.99	
Fenglong Hong Kong	32,397,850.00						32,397,850.00	
Yicheng Motor	4,327,244.01					276,378.00	4,603,622.01	
Hangzhou Fenglong Technology Co., Ltd.	2,302,804.00					- 64,532.00	2,238,272.00	
Total	275,635,774.47					- 607,944.00[1]	275,027,830.47	

Note: 1 The increase of RMB -607,944.00 in investments in subsidiaries was due to share-based payment transactions within the Group, with the parent company as the settling entity, which should be recognized as long-term equity investments in subsidiaries.

(2) Investments in associates and joint ventures

In RMB

Investees	Opening balance (carrying value)	Opening balance of provision for impairment	Changes during the current period								Closing balance (carrying value)	Closing balance of provision for impairment
			Additional investment	Decreased investment	Share of profit or loss under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distribution	Provision for impairment	Others		
I. Joint ventures												
II. Associates												

Yuanzhi Partnership	20,559,811.20			-657,654.90						19,902,156.30		
Sub-total	20,559,811.20				-657,654.90					19,902,156.30		
Total	20,559,811.20				-657,654.90					19,902,156.30		

Recoverable amount determined as fair value less costs of disposal
☐Applicable ☑N/A

Recoverable amount determined as the present value of estimated future cash flows

☐Applicable ☑N/A

Reasons for significant inconsistencies between the aforementioned information and the information or external information used in prior years' impairment tests

Reasons for significant inconsistencies between the information used in the Company's prior years' impairment tests and the actual circumstances of the current year

4. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	116,181,981.97	98,402,330.48	231,415,866.72	171,959,379.76
Other business	1,720,667.94	1,278,680.50	928,292.94	99,829.40
Total	117,902,649.91	99,681,010.98	232,344,159.66	172,059,209.16

Information on operating revenues and operating costs:

In RMB

Category of contract	Segment 1		Segment 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Types of business								
Incl.:								
Garden machinery	104,509,911.08	87,287,430.33					104,509,911.08	87,287,430.33
Automotive parts	73,982.30	70,290.97					73,982.30	70,290.97
Others	13,318,756.53	12,323,289.68					13,318,756.53	12,323,289.68
By operating region								
Incl.:								
Domestic	96,968,197.04	83,482,114.77					96,968,197.04	83,482,114.77
Overseas	20,934,452.87	16,198,896.21					20,934,452.87	16,198,896.21
By market or customer type								
Incl.:								
By contract type								
Incl.:								
By transfer time of goods								
Incl.:								
Revenue recognized at a point in time	117,902,649.91	99,681,010.98					117,902,649.91	99,681,010.98
By term of contract								
Incl.:								
By sales channel								
Incl.:								
Total	117,902,649.91	99,681,010.98					117,902,649.91	99,681,010.98

Information related to performance obligations:

Item	Timing of satisfaction of performance obligations	Significant payment terms	Nature of goods the Company promises to transfer	Whether acting as principal	Amounts expected to be refunded to customers	Type of quality assurance provided by the Company and related obligations

Other information

Information related to transaction prices allocated to remaining performance obligations:
The revenue corresponding to performance obligations under contracts signed but not yet performed or not yet fully performed as at the end of the reporting period amounts to RMB0.00.
Significant contract modifications or significant transaction price adjustments

In RMB

Item	Accounting treatment method	Impact amount on revenue

Other information:
Revenue recognized during the current period that was included in the opening balance of contract liabilities amounted to RMB609,598.58.

5. Investment income

In RMB

Item	Amount in the current period	Amount in the prior period
Income from long-term equity investments under equity method	-657,654.90	2,031,363.60
Investment income from disposal of long-term equity investments	-81,575.36	
Investment income from disposal of Financial assets held for trading	360,796.60	-95,307.98
Interest on borrowings from related parties	3,552,105.13	2,746,036.40
Investment income from wealth management products	2,738,443.84	6,213,677.59
Interest on bill discounting	-60,001.48	-378,258.09
Total	5,852,113.83	10,517,511.52

6. Others

(1) Research and development expenses

Item	Amount in the current period	Amount in the prior period
Employee benefits	5,264,721.64	5,892,886.46
Depreciation and amortization	727,350.12	713,378.40
Direct materials	604,899.86	4,202,718.43
Share-based payment	-481,070.00	1,839,527.00
Utilities	282,620.71	374,659.77
Certification fees	99,616.40	233,899.50
Others	266,449.16	291,935.96
Total	6,764,587.89	13,549,005.52

XIX. Supplementary information

1. Statement of non-recurring gain or loss for the current period

☑Applicable ☐N/A

In RMB

Item	Amount	Remark
Gain or loss on disposal of non-current assets	-300,903.63	
Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the Company's normal operating business, comply with state policies, are enjoyed based on determined standards, and have a continuous impact on the Company's profit or loss	2,403,338.22	Income-related government grants for the current period, see Note 45 to the consolidated financial statements for details
Gains or losses from changes in fair value of financial assets and financial liabilities held by non-financial enterprises and gains or losses from disposal of financial assets and financial liabilities, excluding effective hedging business related to the Company's normal operating business	576,454.84	Changes in fair value for the current period and investment income from disposal of trading financial assets, see Notes 46 and 47 to the consolidated financial statements for details
Gain or loss on investment or asset management by commissioned parties	1,991,831.63	Investment income from wealth management products, see Note 47 to the consolidated financial statements for details
Other non-operating income and expenses other than the above items	-154,859.96	
Less: Effect on income tax	697,059.24	
Total	3,818,801.86	--

Details of other gain or loss items that meet the definition of non-recurring gain or loss:
☐Applicable ☑N/A

The Company has no other profit or loss items that meet the definition of non-recurring gain or loss

Explanations for classifying non-recurring gain or loss items enumerated in the Explanatory Notice of information Disclosure of Companies Publicly IssuingSecurities No. 1 – Non-recurring Gain and Loss Items

☐Applicable ☑N/A

2. Return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to the Company's ordinary shareholders	-0.98%	-0.04	-0.02
Net profit attributable to the Company's ordinary shareholders after deduction of non-recurring gain or loss	-1.52%	-0.05	-0.04

3. Accounting data differences arising from accounting standard of the PRC and the International Accounting Standards

(1) Differences in net profits and net assets in the financial reports disclosed concurrently under international accounting standards and Chinese accounting standards

☐Applicable ☑N/A

(2) Differences in net profits and net assets in the financial reports disclosed concurrently under overseas accounting standards and Chinese accounting standards

☐Applicable ☑N/A

(3) Explanation about the accounting data differences under overseas accounting standards and Chinese accounting standards, and if the data audited by a foreign auditing firm have been reconciled for such differences, name of such foreign firm

Zhejiang Fenglong Electric Co., Ltd.
Legal representative and Chairman: Dong Jiangang
March 22, 2024

Section X Financial Report

I. Audit Report

Audit opinion	Standard unqualified opinion
Signing date of audit report	April 25, 2025
Name of auditor	Pan-China Certified Public Accountants LLP
Number of audit report	Tian Jian Shen [2025] No. 8257
Name of certified public accountants	Hu Yanhua, Zhang Luojun

Text of the Audit Report

Audit Report

Tian Jian Shen [2025] No. 8257

To all shareholders of Zhejiang Fenglong Electric Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Zhejiang Fenglong Electric Co., Ltd. (hereinafter referred to as "Fenglong Electric" or "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2024, the consolidated and parent company income statements, cash flow statements and statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company financial position of Fenglong Electric as at December 31, 2024, and its consolidated and parent company financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Descriptions

Details of relevant information are disclosed in Note III (XXIV), V(II)1 to the financial statements.

The Company's operating revenue is primarily derived from key components for garden machinery, automotive parts, and hydraulic components. In 2024, the Company's operating revenue totalled RMB478.6897 million, of which domestic sales accounted for RMB292.1206 million (61.03% of operating revenue) and export sales amounted to RMB186.5692 million (38.97% of operating revenue).

As operating revenue is one of the Company's key performance indicators, there is an inherent risk that the Company's management (the "Management") may manipulate revenue recognition to achieve specific targets or expectations. Accordingly, we identified revenue recognition as a key audit matter.

2. Audit response

Our audit procedures related to revenue recognition included the following, among others:

(1) Understand the key internal controls related to revenue recognition, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Inspect sales contracts to understand principal contract terms and conditions, and assess the appropriateness of revenue recognition methods;

(3) Perform analytical procedures on operating revenue and gross margin by month, product and customer to identify material or unusual fluctuations and ascertain the causes;

(4) For domestic sales, examine on a sample basis supporting documentation, including sales contracts, orders, sales invoices, warehouse release notes, delivery notes, shipping documents, customer reconciliation statements; for export sales, obtain electronic port documents and compare with accounting records, and examine on a sample basis supporting documentation including sales contracts, export customs declarations, bills of lading, sales invoices, delivery receipts and settlement statements;

(5) In conjunction with accounts receivable and contract asset confirmations, confirm sales amounts on a sample basis;

(6) Perform cutoff procedures to evaluate whether revenue is recognized in the appropriate period;

(7) Obtain records of sales returns after the balance sheet date and examine whether there were instances where revenue recognition criteria were not met as at the balance sheet date;

(8) Examine freight and handling charges and outstanding balances with principal freight forwarders for the reporting period, and perform matching analysis between sales revenue and freight and handling charges;

(9) Review whether information related to operating revenue has been appropriately presented and disclosed in the financial statements.

(II) Net realizable value of inventories

1. Description

Details of relevant information are disclosed in Note III(XII) and Note V(I)8 to the financial statements.

As of December 31, 2024, Fenglong Electric had inventories with a book balance of RMB148.0651 million, provision for inventory write-down of RMB12.7721 million, and a carrying value of RMB135.2930 million.

Inventories are measured at the lower of cost and net realizable value. Management determines net realizable value as estimated selling price less estimated costs to completion, estimated selling expenses and related taxes. As the amount of inventories is material and the determination of net realizable value of inventories involves significant management judgment, we identified the determination of net realizable value of inventories as a key audit matter.

2. Audit response

Our principal audit procedures related to net realizable value of inventories included the following, among others:

(1) Understand the key internal controls related to net realizable value of inventories, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review management's estimates in prior years of net realizable value of inventories, and review the results or management's subsequent re-estimates thereof;

(3) Evaluate on a sample basis the reasonableness of estimated selling prices of inventories, and review whether the estimated selling prices are consistent with sales contract prices, market selling prices, historical data, etc.;

(4) Assess the reasonableness of management's estimates of costs to completion, selling expenses and related taxes for inventories;

(5) Test the accuracy of management's calculations of net realizable value of inventories;

(6) In conjunction with physical inventory observation, identify whether there are circumstances such as extended aging, obsolete models, declining production volumes, fluctuations in production costs or selling prices, or changes in technology or market demand, and evaluate the reasonableness of management's estimates of net realizable value of inventories.

(7) Review whether information related to net realizable value of inventories has been appropriately presented and disclosed in the financial statements.

(III) Impairment of accounts receivable and contract assets

1. Description

Details of relevant information are disclosed in Note III(XI), Note III(XXV), Note V(I)4 and Note V(I)9 to the financial statements.

As of December 31, 2024, Fenglong Electric had accounts receivable with a book balance of RMB151.6091 million, provisions for bad debts of RMB8.1286 million, and a carrying value of RMB143.4804 million. Contract assets had a book balance of RMB6.6129 million, impairment provisions of RMB0.6296 million, and a carrying value of RMB5.9834 million.

Management measures the loss allowance for accounts receivable and contract assets on an individual or collective basis according to their respective credit risk characteristics, at an amount equal to lifetime expected credit losses. Given the materiality of accounts receivable and contract assets and the significant management judgement involved in assessing impairment, we identified the impairment of accounts receivable and contract assets as a key audit matter.

2. Audit response

Our principal audit procedures related to impairment of accounts receivable and contract assets included the following, among others:

(1) Understand the key internal controls related to impairment of accounts receivable and contract assets, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review the outcome of management's estimates made in prior years regarding provisions for bad debts and impairment provisions, or management's subsequent re-estimates;

(3) Review management's considerations and objective evidence in assessing credit risk of accounts receivable and contract assets, and evaluate whether management has appropriately identified the credit risk characteristics of Accounts receivable and contract assets;

(4) For accounts receivable and contract assets measured on an individual basis, review management's forecasts of expected cash flows, evaluate the appropriateness of significant assumptions used in the forecasts and the appropriateness, relevance and reliability of the data, and corroborate such forecasts with external evidence obtained;

(5) For accounts receivable and contract assets measured on a collective basis, assess the reasonableness of management's portfolio classification by credit risk characteristics; evaluate the reasonableness of the rate of expected credit loss determined by management for accounts receivable and contract assets, including the appropriateness of significant assumptions used and the appropriateness, relevance and reliability of the data; test the accuracy of management's provisions for bad debts and impairment provisions calculations;

(6) Evaluate the reasonableness of management's provisions for bad debts in conjunction with accounts receivable and contract assets confirmations and subsequent collections;

(7) Review whether information related to impairment of accounts receivable and contract assets has been appropriately presented and disclosed in the financial statements.

IV. Other Information

The management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing, and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Fenglong Electric's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Fenglong Electric or to cease operations, or have no realistic alternative but to do so.

Those charged with governance of Fenglong Electric ("those charged with governance") are responsible for overseeing Fenglong Electric's financial reporting process.

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Chinese Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Chinese Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

(IV) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Fenglong Electric's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fenglong Electric to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure, and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Fenglong Electric 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 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 for the current period and are therefore key audit matters. We describe these matters in our audit report unless laws or regulations preclude public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Certified Public Accountant: Hu Yanhua
(Engagement Partner)

Hangzhou, China

Certified Public Accountant: Zhang Luojun

April 25, 2025

II. Financial Statements

Statements in notes to the financial statements are dominated in RMB.

1. Consolidated balance sheet

Prepared by: Zhejiang Fenglong Electric Co., Ltd.

December 31, 2024

In RMB

Item	December 31, 2024	January 1, 2024
Current assets:		
Cash at bank and on	162,986,286.03	144,154,757.81
Balances with clearing agencies		
Placements with banks and other financial institutions		
Financial assets held for trading	107,050,000.00	133,242,000.00
Derivative financial assets		
Notes receivable		1,564,681.35
Accounts receivable	143,480,428.28	118,108,511.96
Financing receivables	24,768,989.48	27,153,231.35
Prepayments	7,475,807.97	5,844,900.54
Premium receivable		
Amounts receivable under reinsurance contracts		
Reinsurer’s share of insurance contract reserves		
Other receivables	1,263,357.86	762,226.77
Incl.: Interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		

Inventories	135,293,026.90	133,743,651.61
Incl.: data resources		
Contract assets	5,983,389.47	4,775,909.48
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	4,115,942.16	1,415,693.63
Total current assets	592,417,228.15	570,765,564.50
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	302,582,794.08	317,799,531.79
Construction in progress	160,285,463.29	151,576,296.64
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	61,352,420.43	64,332,993.00
Incl.: data resources		
Development expenditure		
Incl.: data resources		
Goodwill	8,710,546.60	9,032,465.28
Long-term prepaid expenses	442,776.09	1,009,087.39
Deferred tax assets	5,984,401.06	4,753,153.83
Other non-current assets	1,335,250.00	2,267,276.00
Total non-current assets	540,693,651.55	550,770,803.93
Total assets	1,133,110,879.70	1,121,536,368.43
Current liabilities:		
Short-term borrowings	45,002,000.00	42,034,268.06
Loans from the central bank		
Taking from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	10,827,634.74	4,918,057.11
Accounts payables	120,473,723.66	113,648,730.94
Receipts in advance		
Contract liabilities	843,005.28	367,687.57

Financial assets sold under repurchase agreements		
Customer deposits and deposits from banks and other financial institutions		
Funds from securities trading agency		
Funds from underwriting securities agency		
Employee benefits payable	10,901,120.64	13,840,439.96
Taxes payable	5,676,737.20	5,941,432.39
Other payables	6,770,681.75	13,351,192.96
Incl.: Interest payable		
Dividends payable		
Fees and commissions payable		
Amounts payable under reinsurance contracts		
Held-for-sale liabilities		
Non-current liabilities to be settled within one year	3,114,259.20	2,078,800.80
Other current liabilities	109,590.69	46,460.39
Total current liabilities	203,718,753.16	196,227,070.18
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		
Bonds payable	158,255,305.03	150,278,560.00
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	4,538,503.67	4,403,083.75
Deferred tax liabilities	1,798,754.35	2,429,967.46
Other non-current liabilities		
Total non-current liabilities	164,592,563.05	157,111,611.21
Total liabilities	368,311,316.21	353,338,681.39
Owner’s equity:		
Share capital	204,790,102.00	204,772,749.00
Other equity instruments	44,014,730.59	44,070,444.02
Incl.: Preference shares		
Perpetual bonds		
Capital reserve	208,647,994.45	202,564,691.11
Less: Treasury shares	6,277,472.00	12,554,944.00
Other comprehensive income	164,794.29	-447.50
Special reserve		
Surplus reserve	27,186,161.35	27,186,161.35
General risk reserve		
Undistributed profit	286,273,252.81	302,159,033.06
Total equity attributable to owners of the parent company	764,799,563.49	768,197,687.04
Minority interests		

Total owners' equity	764,799,563.49	768,197,687.04
Total liabilities and owners' equity	1,133,110,879.70	1,121,536,368.43

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

2. Balance sheet of the parent company

In RMB

Item	December 31, 2024	January 1, 2024
Current assets:		
Cash at bank and on	96,964,155.97	72,633,362.27
Financial assets held for trading	40,000,000.00	80,000,000.00
Derivative financial assets		
Notes receivable		
Accounts receivable	44,312,914.63	24,243,888.66
Financing receivables	8,373,678.39	7,507,527.81
Prepayments	654,045.03	864,791.23
Other receivables	148,910,260.59	155,550,680.81
Incl.: Interest receivable		
Dividends receivable		
Inventories	30,372,520.57	33,528,017.99
Incl.: data resources		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	918,306.42	705,077.21
Total current assets	370,505,881.60	375,033,345.98
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	292,212,865.94	275,027,830.47
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	175,905,233.78	176,485,009.98
Construction in progress	911,165.87	12,162,646.63
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	21,798,262.53	22,959,240.67
Incl.: data resources		
Development expenditure		
Incl.: data resources		

Goodwill		
Long-term prepaid expenses	220,076.25	557,164.19
Deferred tax assets	586,053.64	269,334.44
Other non-current assets	304,750.00	830,300.00
Total non-current assets	491,938,408.01	488,291,526.38
Total assets	862,444,289.61	863,324,872.36
Current liabilities:		
Short-term borrowings		1,000,962.50
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	23,796,004.37	4,918,057.11
Accounts payables	41,101,083.21	51,598,315.30
Receipts in advance		
Contract liabilities	710,042.97	231,397.75
Employee benefits payable	3,516,526.08	4,639,869.29
Taxes payable	2,665,133.42	3,686,045.84
Other payables	6,313,472.00	12,967,412.83
Incl.: Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities to be settled within one year	3,114,259.20	2,078,800.80
Other current liabilities	92,305.59	30,081.71
Total current liabilities	81,308,826.84	81,150,943.13
Non-current liabilities:		
Long-term borrowings		
Bonds payable	158,255,305.03	150,278,560.00
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	1,221,270.00	1,166,320.00
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	159,476,575.03	151,444,880.00
Total liabilities	240,785,401.87	232,595,823.13
Owner's equity:		
Share capital	204,790,102.00	204,772,749.00
Other equity instruments	44,014,730.59	44,070,444.02
Incl.: Preference shares		
Perpetual bonds		

Capital reserve	227,383,069.52	221,299,766.18
Less: Treasury shares	6,277,472.00	12,554,944.00
Other comprehensive income		
Special reserve		
Surplus reserve	26,831,248.95	26,831,248.95
Undistributed profit	124,917,208.68	146,309,785.08
Total owners' equity	621,658,887.74	630,729,049.23
Total liabilities and owners' equity	862,444,289.61	863,324,872.36

3. Consolidated income statement

In RMB

Item	2024	2023
I. Total operating revenue	478,689,721.97	433,330,404.19
Incl.: Operating revenue	478,689,721.97	433,330,404.19
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	476,709,964.27	434,696,828.78
Incl.: Operating cost	384,251,239.84	352,149,015.93
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims expenses		
Net provision for insurance contracts reserve		
Insurance policyholder dividends		
Expenses for reinsurance accepted		
Taxes and surcharges	5,862,050.86	4,590,963.89
Selling expenses	9,630,795.82	9,203,157.76
Administrative expenses	49,600,105.44	40,335,314.29
Research and development expenses	26,395,313.02	28,089,500.96
Financial expenses	970,459.29	328,875.95
Incl.: Interest expenses	3,657,447.74	4,072,590.17
Interest income	1,949,205.00	1,657,585.34
Add: Other income	6,508,885.69	5,236,679.33
Investment income (loss is indicated by "-")	1,213,280.39	1,821,432.39
Incl.: Income from investments in associates and joint ventures		-657,654.90
Income from derecognition of financial assets measured at amortized cost		
Foreign exchange gains (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		

Gains from changes in fair value (loss is indicated by "-")		-52,377.66
Impairment losses of credit (loss is indicated by "-")	-1,751,933.61	-371,525.19
Impairment losses of assets (loss is indicated by "-")	-4,951,063.64	-7,774,535.93
Gains from disposal of assets (loss is indicated by "-")	2,523,711.02	-219,328.27
III. Operating profit (loss is indicated by "-")	5,522,637.55	-2,726,079.92
Add: Non-operating revenue	66,502.12	78,683.71
Less: Non-operating expenses	331,140.85	233,543.67
IV. Total profit (total losses are indicated by "-")	5,257,998.82	-2,880,939.88
Less: Income tax expense	665,079.77	4,159,230.52
V. Net profit (net loss is indicated by "-")	4,592,919.05	-7,040,170.40
(I) Categorized by the nature of continuing operation		
1. Net profit from continuing operations (net loss is indicated by "-")	4,592,919.05	-7,040,170.40
2. Net profit from discontinued operations (net loss is indicated by "-")		
(II) Categorized by ownership		
1. Net profit attributable to shareholders of the parent company	4,592,919.05	-7,040,170.40
2. Profit or loss attributable to minority interests		
VI. Other comprehensive income, net of tax	165,241.79	28,669.08
Other comprehensive income attributable to owners of the parent company, net of tax	165,241.79	28,669.08
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		
(II) Other comprehensive income that will be reclassified to profit or loss	165,241.79	28,669.08
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies	165,241.79	28,669.08
7. Others		
Other comprehensive income attributable to minority interests, net of tax		

VII. Total comprehensive income	4,758,160.84	-7,011,501.32
Total comprehensive income attributable to owners of the parent company	4,758,160.84	-7,011,501.32
Total comprehensive income attributable to minority interests		
VIII. Earnings per share		
(I) Basic earnings per share	0.02	-0.04
(II) Diluted earnings per share	0.03	-0.02

With respect to the business mergers involving entities under common control consummated in the current period, the net profit of the combinees was nil prior to the merger, and nil in the prior period.

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

4. Income statement of the parent company

In RMB

Item	2024	2023
I. Operating revenue	178,180,003.32	117,902,649.91
Less: Operating cost	140,584,997.37	99,681,010.98
Taxes and surcharges	2,697,034.46	728,213.60
Selling expenses	3,070,575.19	3,600,503.97
Administrative expenses	25,124,660.98	16,689,948.81
R&D expenses	7,303,943.40	6,764,587.89
Financial expenses	10,121,094.38	13,811,090.71
Incl.: Interest expenses	11,596,841.50	15,470,586.66
Interest income	635,107.48	1,407,345.00
Add: Other income	2,386,496.48	2,509,490.09
Investment income (loss is indicated by "-")	6,658,850.83	5,852,113.83
Incl.: Income from investments in associates and joint ventures		-657,654.90
Income from derecognition of financial assets measured at amortized cost (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		
Gains from changes in fair value (loss is indicated by "-")		-52,377.66
Impairment losses of credit (loss is indicated by "-")	308,067.02	1,366,918.47
Impairment losses of assets (loss is indicated by "-")	-1,275,295.96	-5,406,342.36
Gains from disposal of assets (loss is indicated by "-")	2,514,694.44	-153,084.97
II. Operating profit (loss is indicated by "-")	-129,489.65	-19,255,988.65
Add: Non-operating revenue	45,870.25	735.36
Less: Non-operating expenses	330,754.45	210,798.27
III. Total profit (total losses are indicated by " - ")	-414,373.85	-19,466,051.56

Less: Income tax expense	499,503.25	3,352,169.05
IV. Net profit (net loss is indicated by "-")	-913,877.10	-22,818,220.61
(I) Net profit from continuing operations (net loss is indicated by "-")	-913,877.10	-22,818,220.61
(II) Net profit from discontinued operations (net loss is indicated by "-")		
V. Other comprehensive income, net of tax		
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		
(II) Other comprehensive income that will be reclassified to profit or loss		
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies		
7. Others		
VI. Total comprehensive income	-913,877.10	-22,818,220.61
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated statements of cash flows

In RMB

Item	2024	2023
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	476,966,195.11	466,030,225.76
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from the central bank		
Net increase in taking from banks and other financial institutions		
Cash receipts from premiums under direct insurance contracts		
Net cash receipts from reinsurance business		
Net cash receipts from policyholders' deposits and investment contract liabilities		
Cash receipts from interest, fees and commissions		
Net increase in taking from banks and other financial institutions		
Net increase in financial assets sold under repurchase arrangements		
Net cash received from securities trading agency		

Receipts of tax refunds	12,610,072.54	8,183,029.03
Other cash receipts relating to operating activities	22,716,546.66	24,439,115.48
Sub-total of cash inflows from operating activities	512,292,814.31	498,652,370.27
Cash payments for goods purchased and services received	338,306,373.26	288,401,104.07
Net increase in loans and advances to customers		
Net increase in balance with the central bank and due from banks and other financial institutions		
Cash payments for claims and policyholders' benefits under direct insurance contracts		
Net increase in placements with banks and other financial institutions		
Cash payments for interest, fees and commissions		
Cash payments for insurance policyholder dividends		
Cash payments to and on behalf of employees	87,193,566.75	92,968,930.16
Payment of various types of taxes	12,420,989.21	13,459,232.43
Other cash payments relating to operating activities	37,892,308.17	31,282,145.54
Sub-total of cash outflows from operating activities	475,813,237.39	426,111,412.20
Net cash flows from operating activities	36,479,576.92	72,540,958.07
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	1,199,691,000.00	951,927,154.55
Cash receipts from investment income	3,667,929.91	6,342,115.76
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	3,214,395.30	26,730.00
Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities		
Sub-total of cash inflows from investing activities	1,206,573,325.21	958,296,000.31
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	40,175,962.30	63,423,051.26
Cash payments to acquire investments	1,173,499,000.00	937,354,000.00
Net increase in pledged loans receivable		
Net cash payments for acquisitions of subsidiaries and other business entities		
Other cash payments relating to investing activities		4,500,000.00
Sub-total of cash outflows from investing activities	1,213,674,962.30	1,005,277,051.26
Net cash flows from investment activities	-7,101,637.09	-46,981,050.95
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Incl.: Cash received by subsidiaries from minority shareholders' investments		
Cash receipts from borrowings	88,748,110.50	63,000,000.00
Other cash receipts relating to financing activities	5,850,568.11	
Sub-total of cash inflows from financing activities	94,598,678.61	63,000,000.00
Cash repayments of borrowings	85,748,110.50	110,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses	23,944,037.26	2,800,393.94
Incl.: Dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	109,692,147.76	112,800,393.94
Net cash flows from financing activities	-15,093,469.15	-49,800,393.94
IV. Effect of foreign exchange rate changes on cash and cash equivalents	1,020,240.17	2,224,990.40
V. Net increase in cash and cash equivalents	15,304,710.85	-22,015,496.42
Add: Opening balance of cash and cash equivalents	142,521,631.80	164,537,128.22

VI. Closing balance of cash and cash equivalents	157,826,342.65	142,521,631.80

6. Statement of cash flows of the parent company

In RMB

Item	2024	2023
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	133,751,021.43	132,545,901.97
Receipts of tax refunds	4,606,762.83	4,118,759.18
Other cash receipts relating to operating activities	18,405,334.05	20,741,652.01
Sub-total of cash inflows from operating activities	156,763,118.31	157,406,313.16
Cash payments for goods purchased and services received	102,020,681.19	128,727,941.59
Cash payments to and on behalf of employees	29,499,304.43	27,441,750.28
Payment of various types of taxes	6,263,170.16	3,008,715.28
Other cash payments relating to operating activities	28,156,581.08	22,774,676.98
Sub-total of cash outflows from operating activities	165,939,736.86	181,953,084.13
Net cash flows from operating activities	-9,176,618.55	-24,546,770.97
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	210,000,000.00	254,816,154.55
Cash receipts from investment income	6,914,362.82	4,444,125.23
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	1,769,813.54	202,479.53
Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities	79,000,000.00	118,599,981.49
Sub-total of cash inflows from investing activities	297,684,176.36	378,062,740.80
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	16,997,774.98	44,731,313.16
Cash payments to acquire investments	170,000,000.00	230,000,000.00
Net cash payments for acquisitions of subsidiaries and other business entities	12,370,000.00	
Other cash payments relating to investing activities	50,500,000.00	91,165,111.05
Sub-total of cash outflows from investing activities	249,867,774.98	365,896,424.21
Net cash flows from investment activities	47,816,401.38	12,166,316.59
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Cash receipts from borrowings	10,000,000.00	21,000,000.00
Other cash receipts relating to financing activities	13,850,568.11	3,000,000.00
Sub-total of cash inflows from financing activities	23,850,568.11	24,000,000.00
Cash repayments of borrowings	11,000,000.00	56,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses	22,869,775.58	2,581,735.81
Other cash payments relating to financing activities	8,000,000.00	3,000,000.00
Sub-total of cash outflows from financing activities	41,869,775.58	61,581,735.81
Net cash flows from financing activities	-18,019,207.47	-37,581,735.81
IV. Effect of foreign exchange rate changes on cash and cash equivalents	589,727.04	296,860.43
V. Net increase in cash and cash equivalents	21,210,302.40	-49,665,329.76
Add: Opening balance of cash and cash equivalents	71,000,236.26	120,665,566.02
VI. Closing balance of cash and cash equivalents	92,210,538.66	71,000,236.26

7. Consolidated statement of changes in owners' equity

Amount in the current period

In RMB

Item	2024														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	204, 772, 749. 00			44,070,444.02	202, 564, 691. 11	12,554,944.00	- 447. 50		27,186,161.35		302, 159, 033. 06		768, 197, 687. 04		768, 197, 687. 04
Add: Changes in accounting policies															
Corrections of prior period errors															
Others															
II. Opening balance of the current year	204, 772, 749. 00			44,070,444.02	202, 564, 691. 11	12,554,944.00	- 447. 50		27,186,161.35		302, 159, 033. 06		768, 197, 687. 04		768, 197, 687. 04
III. Changes for the current period (decrease is indicated by "-")	17,353.00			- 55,713.43	6,083,303.34	- 6,277,472.00	165, 241. 79				- 15,885,780.25		- 3,398,123.55		- 3,398,123.55
(I) Total comprehensive income							165, 241. 79				4,592,919.05		4,758,160.84		4,758,160.84
(II) Owners' contributions and reduction in capital	17,353.00			- 55,713.43	6,083,303.34	- 6,277,472.00							12,322,414.91		12,322,414.91
1. Ordinary shares contributed by owners					232,735. 23								232,735. 23		232,735. 23
2.Capital contribution from holders of other equity instruments	17,353.00			- 55,713.43									- 38,360.43		- 38,360.43
3. Share-based payment recognized in owners' equity															
4. Others					5,850,568.11	- 6,277,472.00							12,128,040.11		12,128,040.11
(III) Profit distribution											- 20,478,699.30		- 20,478,699.30		- 20,478,699.30

1. Transfer to surplus reserve															
2. Transfer to general risk reserve															
3. Distributions to owners (shareholders)											- 20,478,699.30		- 20,478,699.30		- 20,478,699.30
4. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve (or conversion to share capital)															
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the current period															
2. Amount utilized in the current period															
(VI) Others															
IV. Closing balance of the current period	204, 790, 102.00			44,014,730.59	208, 647, 994. 45	6,277,472.00	164, 794. 29		27,186,161.35		286, 273, 252. 81		764,799,563.49		764, 799, 563. 49

Amount in the prior period

In RMB

Item	2023														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	199, 172, 306. 00			62,065,882.53	130, 603, 143. 67	20,924,906.66	- 29,116.58		27,186,161.35		309, 199, 203. 46		707, 272, 673. 77		707, 272, 673. 77
Add: Changes in accounting policies															
Corrections of prior period errors															
Others															
II. Opening balance of the current year	199, 172, 306. 00			62,065,882.53	130, 603, 143. 67	20,924,906.66	- 29,116.58		27,186,161.35		309, 199, 203. 46		707, 272, 673. 77		707, 272, 673. 77
III. Changes for the current period (decrease is indicated by "-")	5,600,443.00			- 17,995,438.51	71,961,547.44	- 8,369,962.66	28,669.08				- 7,040,170.40		60,925,013.27		60,925,013.27
(I) Total comprehensive income							28,669.08				- 7,040,170.40		- 7,011,501.32		- 7,011,501.32
(II) Owners' contributions and reduction in capital	5,600,443.00			- 17,995,438.51	71,961,547.44	- 8,369,962.66							67,936,514.59		67,936,514.59
1. Ordinary shares contributed by owners					74,236,957.44								74,236,957.44		74,236,957.44

2.Capital contribution from holders of other equity instruments	5,600,443.00			- 17,995,438.51									- 12,394,995.51		- 12,394,995.51
3. Share-based payment recognized in owners' equity					- 2,275,410.00								- 2,275,410.00		- 2,275,410.00
4. Others						- 8,369,962.66							8,369,962.66		8,369,962.66
(III) Profit distribution															
1. Transfer to surplus reserve															
2. Transfer to general risk reserve															
3. Distributions to owners (shareholders)															
4. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve (or conversion to share capital)															
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in															

defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the period															
2. Amount utilized in the period															
(VI) Others															
IV. Closing balance of the current period	204, 772, 749. 00			44,070,444.02	202, 564, 691. 11	12,554,944.00	- 447. 50		27,186,161.35		302, 159, 033. 06		768, 197, 687. 04		768, 197, 687. 04

8. Statement of changes in owners' equity of the parent company

Amount in the current period

In RMB

Item	2024											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the prior year	204,772,749.00			44,070,444.02	221,299,766.18	12,554,944.00			26,831,248.95	146,309,785.08		630,729,049.23
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	204,772,749.00			44,070,444.02	221,299,766.18	12,554,944.00			26,831,248.95	146,309,785.08		630,729,049.23
III. Changes for the current period (decrease is indicated by "-")	17,353.00			- 55,713.43	6,083,303. 34	- 6,277,472. 00				- 21,392,576.40		- 9,070,161. 49
(I) Total comprehensive income										- 913,877.10		- 913,877.10
(II) Owners' contributions and reduction in capital	17,353.00			- 55,713.43	6,083,303. 34	- 6,277,472. 00						12,322,414.91
1. Ordinary shares contributed by owners					232,735.23							232,735.23
2. Capital contribution from holders of other equity instruments	17,353.00			- 55,713.43								- 38,360.43
3. Share-based payment recognized in owners' equity												
4. Others					5,850,568. 11	- 6,277,472. 00						12,128,040.11
(III) Profit distribution										- 20,478,699.30		- 20,478,699.30
1. Transfer to surplus reserve												

2. Distributions to owners (shareholders)										- 20,478,699.30		- 20,478,699.30
3.Others												
(IV) Transfers within owners' equity												
1. Capitalization of capital reserve (or conversion to share capital)												
2. Capitalization of surplus reserve (or conversion to share capital)												
3. Loss offset by surplus reserve												
4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive income												
6.Others												
(V) Special reserve												
1. Transfer to special reserve in the current period												
2. Amount utilized in the current period												
(VI) Others												
IV. Closing balance of the current period	204,790,102.00			44,014,730.59	227,383,069.52	6,277,472. 00			26,831,248.95	124,917,208.68		621,658,887.74

Amount in the prior period

In RMB

Item	2023											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the prior year	199,172,306.00			62,065,882.53	149,338,218.74	20,924,906.66			26,831,248.95	169,128,005.69		585,610,755.25
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	199,172,306.00			62,065,882.53	149,338,218.74	20,924,906.66			26,831,248.95	169,128,005.69		585,610,755.25
III. Changes for the current period (decrease is indicated by "-")	5,600,443. 00			- 17,995,438.51	71,961,547.44	- 8,369,962. 66				- 22,818,220.61		45,118,293.98
(I) Total comprehensive income										- 22,818,220.61		- 22,818,220.61
(II) Owners' contributions and reduction in capital	5,600,443. 00			- 17,995,438.51	71,961,547.44	- 8,369,962. 66						67,936,514.59
1. Ordinary shares contributed by owners					74,236,957.44							74,236,957.44
2.Capital contribution from holders of other equity instruments	5,600,443. 00			- 17,995,438.51								- 12,394,995.51
3. Share-based payment recognized in owners' equity					- 2,275,410. 00							- 2,275,410. 00
4. Others						- 8,369,962. 66						8,369,962. 66
(III) Profit distribution												
1. Transfer to surplus reserve												
2. Distributions to owners (shareholders)												

3. Others												
(IV) Transfers within owners' equity												
1. Capitalization of capital reserve (or conversion to share capital)												
2. Capitalization of surplus reserve (or conversion to share capital)												
3. Loss offset by surplus reserve												
4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive income												
6.Others												
(V) Special reserve												
1. Transfer to special reserve in the current period												
2. Amount utilized in the current period												
(VI) Others												
IV. Closing balance of the current period	204,772,749.00			44,070,444.02	221,299,766.18	12,554,944.00			26,831,248.95	146,309,785.08		630,729,049.23

III. Basic Information of the Company

Zhejiang Fenglong Electric Co., Ltd. (hereinafter referred to as "the Company") was formerly Shaoxing Fenglong Motor Co., Ltd. (hereinafter referred to as "Fenglong Motor"). Using January 31, 2016 as the reference date, Fenglong Motor was restructured in its entirety into a joint stock company and was registered with the Shaoxing Administration for Market Regulation on April 11, 2016. The Company is headquartered in Shaoxing, Zhejiang Province. The Company currently holds a business license with Unified Social Credit Code 913306047498339794, with registered capital of RMB199.0912 million and total share capital of 204,790,102 shares (par value of RMB1 per share). Of these, restricted tradable shares comprise 18,108,269 A shares, and unrestricted tradable shares comprise 186,681,833 A shares. The Company's shares were listed on the Shenzhen Stock Exchange on April 3, 2018.

The Company operates in the special equipment manufacturing industry. Its principal activities include the research and development, production and sales of garden machinery components, automotive parts and hydraulic components. Major products include key components for garden machinery such as igniters, flywheels and cylinders, precision aluminium die-cast automotive components, and hydraulic components.

These financial statements were approved for issue by the 26th meeting of the Company's third Board of Directors on April 25, 2025.

IV. Basis of Preparation of Financial Statements

1. Basis of preparation

The Company's financial statements are prepared on a going-concern basis.

2. Going-concern

The Company has detected no events or circumstances that may cast significant doubt upon its ability to continue as a going concern within 12 months from the reporting period.

V. Significant Accounting Policies and Accounting Estimates

Reminders on specific accounting policies and accounting estimates:

Important note: The Company has formulated the specific accounting policies and made the specific accounting estimates with respect to the impairment of financial instruments, inventories, depreciation of fixed assets, construction in progress, intangible assets, recognition of revenues and other transactions and events according to the actual production and operation characteristics of the Company.

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

The financial statements prepared by the Company conform to 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 related information.

2. Accounting period

The Company's accounting year is from January 1 to December 31 of each calendar year.

3. Operating cycle

The Company has a relatively short operating cycle, and determines the liquidity of assets and liabilities on the basis of 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt RMB as its functional currency, while overseas subsidiaries such as Fenglong Motors (Hong Kong) Limited (hereinafter referred to as "Fenglong Hong Kong"), which are engaged in foreign operations, determine their functional currencies based on the currency of the primary economic environment in which it operates.

5. Method for determining materiality thresholds and basis for selection

☑Applicable ☐N/A

Item	Materiality Threshold
Significant accounts receivable with individual impairment provision	Individual amount exceeds 0.50% of total assets
Significant other receivables with individual impairment provision	Individual amount exceeds 0.50% of total assets
Significant recoveries or reversals of impairment provision for other receivables	Individual amount exceeds 0.50% of total assets
Significant contract assets with individual impairment provision	Individual amount exceeds 0.50% of total assets
Significant prepayments aged over 1 year	Individual amount exceeds 0.50% of total assets

Significant construction in progress projects	Total investment for individual project exceeds 0.50% of total assets
Significant Accounts payables aged over 1 year	Individual amount exceeds 0.50% of total assets
Significant other payables aged over 1 year	Individual amount exceeds 0.50% of total assets
Significant contract liabilities aged over 1 year	Individual amount exceeds 0.50% of total assets
Significant cash flows from investing activities	Individual amount exceeds 0.50% of total assets
Significant subsidiaries and non-wholly owned subsidiaries	Total assets/total revenue exceeds 15% of the Group's total assets/total revenue

6. Accounting treatment of business combinations involving entities under common control and business mergers not involving entities under common control

1. Accounting treatment of business merger involving entities under common control

Assets and liabilities that are obtained by the Company in a business merger shall be measured at their carrying values in the consolidated financial statements of the ultimate controller at the merger date as recorded by the combinee. The difference between the carrying value of the owners' equity of the combinee as stated in the consolidated financial statements of the ultimate controller and the carrying value of the total consideration paid or total par value of the shares issued in connection with the merger is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

2. Accounting treatment of business mergers not involving entities under common control

Where the cost of the merger exceeds the Company's share of the fair value of the combinee's identifiable net assets, the difference is recognized as goodwill at the date of acquisition. Where the cost of merger is lower than the Company's share of the fair value of the combinee's identifiable net assets, the Company reviews the measurement of the fair value of each of the identifiable assets, liabilities and contingent liabilities acquired from the combinee and the cost of merger, and if the cost of merger as reviewed is still lower than the Company's share of the fair value of the combinee's identifiable net assets, the difference is recognized in profit or loss for the current period.

7. Criteria for determining control and method for preparing consolidated financial statements

1. Determination of control

Control is determined when the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

2. Method of preparation of consolidated financial statements

The parent company includes all of its controlled subsidiaries in its consolidated financial statements. The consolidated financial statements are prepared by the parent company in accordance with the Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements, on the basis of the respective financial statements of the parent company and its subsidiaries, by reference to other relevant data.

8. Recognition of cash and cash equivalents

For the purpose of the statement of cash flows, cash comprises cash on hand and demand deposits, and cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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

1. Translation of foreign currency transactions

Upon initial recognition, foreign currency transactions are translated into RMB using the spot exchange rates or approximations thereto at the transaction dates. At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences denominated in foreign currencies are recognized in profit or loss for the current period, except for those attributable to foreign currency designated borrowings that have been taken out specifically for the acquisition or construction of qualifying assets and accrued interest. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates approximating those prevailing at the transaction dates, without adjusting the amounts in RMB. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates prevailing at the dates the fair value was determined, and translation differences of financial statements denominated in foreign currencies are recognized in profit or loss for the current period or other comprehensive income.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet are translated at the spot exchange rates at the balance sheet date. The owners' equity items other than "undistributed profits" are translated at the spot exchange rates at the transaction dates. The income and expense items in the income statements are translated at the spot exchange rates or approximations thereto at the transaction dates. Translation differences of financial statements denominated in foreign currencies are recognized in other comprehensive income.

10. Financial instruments

1. Classification of financial assets and financial liabilities

Upon initial recognition, financial assets are classified into: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss.

Upon initial recognition, financial liabilities are classified into: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred; (3) financial guarantee contracts not falling under items (1) or (2), and loan commitments not falling under item (1) and at below-market interest rate; and (4) financial liabilities at amortized cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Recognition and initial measurement of financial assets and financial liabilities

When the Company becomes a party to a financial instrument contract, a financial asset or liability is recognized. Financial assets and liabilities are initially measured at fair value. Transaction costs relating to financial assets or liabilities at fair value through profit or loss are directly recognized in profit or loss for the current period. Transaction costs relating to other kinds of financial assets or liabilities are included in their initially recognized amount. However, where accounts receivable that do not contain any significant financing component upon initial recognition, or where the Company does not take into consideration any financing component under contracts with a term of no more than one year, such accounts receivable are initially measured at the transaction price as defined in the Accounting Standards for Business Enterprises No. 14 - Revenue.

(2) Subsequent measurement of financial assets

1) Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Gains or losses on financial assets at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition, reclassification, amortization using the effective interest method or recognition of impairment.

2) Investments in debt instruments at fair value through other comprehensive income

These investments in debt instruments are subsequently measured at fair value. Interest, impairment losses or gains and foreign exchange gains or losses calculated using the effective interest method are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed from other comprehensive income and included in profit or loss for the current period.

3) Investments in equity instruments at fair value through other comprehensive income

These investments in equity instruments are subsequently measured at fair value. Dividends received (other than those received as recovery of investment cost) are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed from other comprehensive income and included in retained earnings.

4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently measured at fair value. Gains or losses thereon, including interest and dividend income, are recognized in profit or loss for the current period, except the financial assets belonging to any hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives classified as financial liabilities), and financial liabilities directly designated as at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities designated as at fair value through profit or loss arising out of changes in the Company's credit risk are recognized in other comprehensive income, unless such treatment will result in or increase any accounting mismatch in profit or loss. Other gains or losses on such financial liabilities, including interest expenses and changes in fair value not arising out of changes in the Company's credit risk, are recognized in profit or loss for the current period, except the financial liabilities belonging to any hedging relationship. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed from other comprehensive income and included in retained earnings.

2) Financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred

Such financial liabilities are measured in accordance with the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

3) Financial guarantee contracts not falling under items 1) or 2) above, and loan commitments not falling under item 1) above and below market interest rate

Such financial liabilities are subsequently measured at the higher of ① provision for impairment losses determined according to the policy for impairment of financial instruments; and ② balance of the initially recognized amount after deduction of the accumulated amortization determined in accordance with Accounting Standards for Business Enterprises No. 14 - Revenue.

4) Financial liabilities at amortized cost

Such financial liabilities are measured at amortized cost using the effective interest method. Gains or losses on financial liabilities at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition or amortization using the effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

① the contractual right to receive cash flows from the financial assets has expired;

② the financial assets have been transferred and such transfer meets the criteria for derecognition of financial assets as set forth in the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

2) A financial liability (or part thereof) is derecognized when all or part of the present obligations thereon have been discharged.

3. Determination and measurement of financial assets transferred

When a financial asset of the Company is transferred, if substantially all the risks and rewards incidental to the ownership of the financial asset have been transferred, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be). If the Company retains substantially all the risks and rewards of ownership of a financial asset, the Company shall not derecognize the financial asset. If the Company neither transferred nor retained a substantial portion of all risks and rewards incidental to the ownership of the financial asset, then: (1) if the Company does not retain control over the financial asset, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be); and (2) if the Company retains control over the financial asset, the financial asset continues to be recognized to the extent of the Company's continuing involvement in the financial asset transferred, and a corresponding liability is recognized.

If an entire transfer of a financial asset meets the criteria for derecognition, the difference between (1) the carrying value of the financial asset transferred at the date of derecognition; and (2) the sum of the consideration received from the transfer of the financial asset and the portion of the cumulative amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period. If part of a financial asset is transferred and the part transferred entirely meets the criteria for derecognition, the total carrying value of the financial asset immediately prior to the transfer is allocated between the part derecognized and the part not derecognized in proportion to their relative fair value at the date of transfer, and the difference between (1) the carrying value of the part derecognized and (2) the sum of the consideration received from the transfer of the part derecognized and the portion of the cumulative amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period.

4. Determination of fair value of financial assets and financial liabilities

The Company adopts the valuation techniques applicable to the current situations and with sufficient data available and support of other information to determine the fair value of financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques in the following levels and uses them in turn:

(1) Level 1 inputs: quoted market price (unadjusted) in an active market for an identical asset or liability available at the date of measurement;

(2) Level 2 inputs: inputs other than inputs included within Level 1 that are observable directly or indirectly. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, observable inputs other than quoted prices (such as interest rate and yield curves observable during regular intervals of quotation), and inputs validated by the market;

(3) Level 3 inputs: inputs that are unobservable. This category includes interest rate or stock volatility that cannot be directly observed or validated by observable market data, future cash flows from retirement obligation incurred in business mergers, and financial forecasts made using own data.

5. Impairment of financial instruments

The Company carries out impairment treatment and determines impairment losses of financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income, contract assets, lease receivables, loan commitments other than financial liabilities at fair value through profit or loss, and financial guarantee contracts other than financial liabilities at fair value with changes accrued to current profit or loss and other than financial liabilities arising as a result of the transfer of financial assets that does not meet the criteria for derecognition or that continuing involvement in the financial assets transferred, on the basis of expected credit losses.

Expected credit loss is the weighted average of credit losses on financial instruments taking into account the possibility of default. Credit loss is the present value of the difference between all contractual cash flows receivable under the contract and estimated future cash flows discounted at the original effective interest rate, i.e., the present value of all cash shortage, wherein the Company's purchased or originated financial assets that have become credit impaired are discounted at their credit-adjusted effective interest rate.

With respect to purchased or originated financial assets that have become credit impaired, at the balance sheet date, the Company recognizes a loss allowance equal to the cumulative amount of changes in lifetime expected credit losses since initial recognition.

With respect to receivables and contract assets arising from transactions within the scope of Accounting Standards for Business Enterprises No. 14 - Revenue, the Company applies the simplified approach and measures the loss allowance at an amount equal to lifetime expected credit losses.

With respect to financial assets not using the measurement methods stated above, at each balance sheet date, the Company assesses whether the credit risk has increased significantly since initial recognition, and recognizes a loss allowance equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or to the expected credit losses within the next 12 months if the credit risk has not increased significantly since initial recognition.

The Company uses reasonable and supportable information, including forward-looking information, and compares the possibility of default at the balance sheet date with the possibility of default upon initial recognition, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition.

At the balance sheet date, if the Company determines that a financial instrument has low credit risk, the Company assumes that its credit risk has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses of financial instruments individually or collectively. When assessing the portfolio of financial instruments, the Company includes the financial instruments in different groups according to their common risk characteristics.

At each balance sheet date, the Company re-assesses the expected credit losses, with the amount of increase in or reversal of loss allowance recognized in profit or loss for the current period as impairment losses or gains. With respect to a financial asset at amortized cost, its carrying amount presented in the balance sheet is reduced by the loss allowance. With respect to an investment in debt instruments at fair value through other comprehensive income, the Company recognizes the loss allowance in other comprehensive income, without reducing its carrying value.

6. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if the following conditions are satisfied simultaneously, the Company presents the net amount after offsetting in the balance sheet: (1) the Company has a legally enforceable right to offset the recognized amounts, and such right is currently enforceable; and (2) the Company intends to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

For transfers of financial assets that do not satisfy the conditions for derecognition, the Company does not offset the transferred financial assets and the related liabilities.

11. Criteria for recognition and methods for provision of expected credit losses on Accounts receivable and contract assets

1. Accounts receivable and contract assets for which expected credit losses are measured on a collective basis based on credit risk characteristics

Group category	Basis for grouping	Method for measuring expected credit losses
Bank acceptance bills receivable Commercial acceptance bills receivable	Type of notes	Calculate the expected credit losses according to the exposure at default and the rate of expected credit loss within lifetime by reference to historical credit loss experience, and taking into account the current situations and prediction of future economic conditions
Accounts receivable - aging group Contract assets - aging group	Aging	Calculate expected credit losses by reference to historical credit loss experience, and taking into account current conditions and forecasts of future economic conditions, through preparing a comparison table that correlates the aging of accounts receivable and contract assets with the rate of expected credit loss within lifetime
Other receivables - aging group	Aging	Calculate the expected credit losses according to the reference table of aging of other receivables against expected credit loss rates prepared by reference to historical credit loss experience, and taking into account the current situations and prediction of future economic conditions

2. Comparison table of the aging and rate of expected credit loss within lifetime for aging groups

Aging	Rate of expected credit loss for accounts receivable and contract assets (%)	Rate of expected credit loss for other receivables (%)
Within 1 year (inclusive, same below)	5.00	5.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
3-4 years	50.00	50.00
Over 4 years	100.00	100.00

The aging of accounts receivable, contract assets and other receivables is calculated from the month when the amounts actually occur.

3. Criteria for determining accounts receivable and contract assets for which expected credit losses are measured on an individual basis

For accounts receivable and contract assets whose credit risk is significantly different from the credit risk of the portfolio, the Company measures expected credit losses on an individual basis.

12. Inventories

1. Classification of inventories

Inventories include finished goods or merchandise held by the Company for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

2. Cost formula for inventories issued

Inventories issued are measured using the weighted average method calculated at month-end.

3. Inventory systems for inventories

The perpetual inventory system is adopted.

4. Amortization of low-value consumables and packing materials

One-off amortization method shall apply.

5. Criteria for recognition and method for making provision for decline in value of inventories

On the balance sheet date, inventory is measured at the lower of the cost or the net realizable value, and the provision for inventory write-down is accrued for the difference between the cost and the net realizable value. In the normal production and operation process, the net realizable value of inventory directly used for sale is determined by the estimated selling prices of inventory less the estimated selling expenses and related taxes; in the normal production and operation process, the net realizable value of inventory to be processed is determined by the estimated selling prices of finished products less the estimated costs to be incurred upon completion, the estimated selling expenses, and related taxes; on the balance sheet date, if part of the same inventory has contract price agreements, while the other part does not have any, their net realizable values shall be determined respectively, which shall be compared with the corresponding costs, to determine the amount of the inventory depreciation reserve to be accrued or reserved respectively.

13. Long-term equity investments

1. Judgment criteria of joint control and significant influence

Joint control is the agreed sharing of control over an arrangement, and the decision in relation to the relevant activities of such arrangement may only be made upon the unanimous consent of the parties sharing control. Significant influence is the power of the investing enterprise to participate in the financial and operating policy decisions of an investee, but is not control or joint control with other parties over the establishment of those policies.

2. Determination of investment cost

(1) In case of an equity investment acquired through a business merger involving entities under common control, if the acquirer pays consideration for the business merger by cash, transfer of non-cash assets, assumption of liabilities or issuance of equity securities, the initial investment cost of the long-term equity investment is the Company's share of the carrying value of the owners' equity of the combinee in the consolidated financial statements of the ultimate controller at the date of merger. The difference between the initial investment cost of the long-term equity investment and the carrying value of the consideration paid for the merger or the total par value of the shares issued (as applicable) is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

In case of a long-term equity investment acquired through a business merger involving entities under common control and through multiple transactions by steps, the Company judges whether they constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the initial investment cost is the Company's post-merger share of the carrying value of the net assets of the combinee in the consolidated financial statements of the ultimate controller at the date of merger. The difference between the initial investment cost of the long-term equity investment at the date of merger and the sum of the carrying value of long-term equity investment before the merger and the carrying value of the consideration paid for acquisition of the additional shares at the date of merger is adjusted against the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

(2) In case of an equity investment acquired through a business merger not involving entities under common control, the initial investment cost is the fair value of the consideration paid for the merger at the date of acquisition.

With respect to a long-term equity investment acquired through a business merger not involving entities under common control that is achieved through multiple transactions by steps, the accounting treatment thereof in the separate financial statements is different from that in the consolidated financial statements as stated below:

1) In the separate financial statements, the initial investment cost for which the Company changes to the cost method is the sum of the carrying value of the long-term equity investment originally held and the new investment cost.

2) In the consolidated financial statements, the Company judges whether the transactions constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the Company re-measures the fair value of the equity held in the combinee prior to the date of acquisition, and records the difference between the fair value and the carrying value as investment income for the current period; if the equity held in the combinee prior to the date of acquisition involves other comprehensive income under equity method, such other comprehensive income is transferred to the income of the period in which the date of acquisition falls, except for other comprehensive income arising from re-measurement by the investee of changes in net liabilities or net assets of defined benefit plans.

(3) In case of an equity investment not acquired through business merger, the initial investment cost is the purchase price actually paid if it is acquired by cash, or the fair value of the equity securities issued if it is acquired through issuance of equity securities, or is determined in accordance with the Accounting Standards for Business Enterprises No. 12 - Debt Restructuring if it is acquired through debt restructuring, or in accordance with the Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets if it is acquired through exchange of non-monetary assets.

3. Subsequent measurement and recognition of profit or loss

Long-term equity investments in investees are measured using the cost method. Long-term equity investments in associates and joint ventures are measured using the equity method.

4. Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary

(1) Principles for determining whether the transactions constitute a “package deal”

Where the Company disposes of its equity investment in a subsidiary in stages through multiple transactions until loss of control, the Company determines whether the transactions in stages constitute a "package deal" based on the terms and conditions of the agreements for each step of the transactions, the consideration received for each disposal, the parties to whom the equity is sold, the method of disposal, the timing of disposal and other information. Where the terms, conditions and economic effects of the transactions satisfy one or more of the following circumstances, it generally indicates that the multiple transactions constitute a “package deal”:

1) These transactions are entered into simultaneously or are entered into with consideration of the impact of each other;

2) These transactions as a whole can achieve a complete commercial result;

3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;

4) One transaction is not economical when considered individually, but is economical when considered together with other transactions.

(2) Accounting treatment where the transactions do not constitute a “package deal”

1) Separate financial statements

The difference between the carrying value of the equity disposed of and the proceeds of disposal actually received is recognized in profit or loss for the current period. If the remaining equity empowers the Company to exercise significant influence or joint control over the investees, the remaining equity is accounted for using the equity method; if the remaining equity does not empower the Company to exercise control, joint control or significant influence over the investees, the remaining equity is accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

2) Consolidated financial statements

Prior to the loss of control, the difference between the proceeds from disposal and the share owned by the Company in the net assets of the subsidiary in relation to the long-term equity investment disposed of that is calculated continuously from the date of acquisition or merger is adjusted against the capital reserve (capital premium). In case the capital premium is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

When losing control over a former subsidiary, the remaining equity is re-measured at its fair value at the date of loss of control. The sum of the consideration received from the disposal of the equity and the fair value of the remaining equity, net of the share owned by the Company in the net assets of the subsidiary as calculated continuously from the date of acquisition or merger according to the previous shareholding ratio, is recognized in the investment income for the period in which the control is lost, and the goodwill is reduced accordingly. Other comprehensive income relating to the equity investment in the former subsidiary should be transferred to the investment income for the period in which the control is lost.

(3) Accounting treatment where the transactions constitute a “package deal”

1) Separate financial statements

The Company accounts for such transactions as one transaction to dispose of and lose its control over the subsidiary. However, the difference between the proceeds from each disposal before loss of control and the carrying value of the long-term equity investment corresponding to the equity interest disposed of is recognized in other comprehensive income in the separate financial statements, which is wholly transferred to the profit or loss in the period in which the control is lost.

2) Consolidated financial statements

The Company accounts for such transactions as one transaction to dispose of and lose its control over the subsidiary, however, the difference between the proceeds from each disposal before loss of control and the share of the subsidiary’s net assets attributable to the equity interest disposed of is recognized in other comprehensive income in consolidated financial statements, which is wholly transferred to the profit or loss in the period in which the control is lost.

14. Fixed assets

(1) Criteria for recognition

Fixed assets are tangible assets held for production of goods, rendering of services, lease or operation and management with a useful life of more than one accounting year. A fixed asset is recognized if the economic benefits relating to it are very likely to flow to the Company and its cost can be reliably measured.

(2) Depreciation

Category	Method of depreciation	Estimated useful life (years)	Residual value rate	Annual depreciation rate
Buildings and constructions	Straight line method	20	5%	4.75%
General equipment	Straight line method	3-5	5%	19.00%-31.67%
Specialized equipment	Straight line method	6-10	5%	9.50%-15.83%
Vehicles	Straight line method	4-5	5%	19.00%-23.75%

15. Construction in progress

1. Construction in progress is recognized when it is probable that economic benefits will flow to the Company and the cost can be measured reliably. Construction in progress is measured at the actual costs incurred up to the date when the asset is ready for its intended use.

2. When construction in progress reaches the state ready for its intended use, it is transferred to fixed assets at the actual cost of the project. Where construction in progress has reached the state ready for its intended use but final accounts have not been completed, it is transferred to fixed assets initially at estimated value and subsequently adjusted to actual cost upon completion of final accounts, without adjustment to depreciation previously provided.

Category	Criteria and timing for transferring construction in progress to fixed assets
Buildings and constructions	The main construction works and ancillary works have been substantially completed, meet the intended design requirements and have passed acceptance inspection.
Machinery and equipment	Meet design requirements or standards specified in contracts after installation and commissioning

16. Borrowing costs

1. Recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset. The amounts of other borrowing costs incurred are expensed when incurred and included in profit or loss for the current period.

2. Period of capitalization of borrowing costs

(1) A borrowing cost is capitalized when all of the following conditions are satisfied: 1) the expenditures on the asset have already been incurred; 2) the borrowing cost has already been incurred; and 3) the acquisition, construction or production activities necessary to prepare the asset for its intended use or sale have already commenced.

(2) Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The borrowing costs incurred during these periods are recognized as an expense for the current period until the acquisition, construction or production activity is resumed.

(3) When the qualifying asset being acquired, constructed or produced has become ready for its intended use or sale, the capitalization ceases.

3. Rate and amount of capitalization of borrowing costs

If funds are borrowed under a specific-purpose borrowing for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period (including amortized discount or premium determined using the effective interest method) less any interest income earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. If funds are borrowed under general-purpose borrowings and are utilized for the acquisition, construction or production of a qualifying asset, the Company shall determine the amount of interest to be capitalized on such borrowings by multiplying a capitalization rate of the utilized general-purpose borrowings by the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings.

17. Intangible assets

(1) Useful life and its basis for determination, estimation, amortization method or review procedures

1. Intangible assets, including land use rights, patents and non-patented technology, are initially measured at cost.

2. Intangible assets with finite useful lives are amortized systematically over their useful lives based on the pattern in which the economic benefits associated with the intangible assets are expected to be realized. Where the pattern of realization cannot be reliably determined, the straight-line method is adopted. Details are as follows:

Item	Useful life and basis for determination	Amortization method

Land use rights	Useful life of 50 years determined based on the property rights registration period	Straight-line method
Software	Useful life of 5-10 years determined based on the expected benefit period	Straight-line method
Patents and trademarks	Useful life of 10 years determined based on the expected benefit period	Straight-line method

(2) Scope of capitalization of research and development expenditure and related accounting treatment methods

3. Scope of capitalization of research and development expenditure

(1) Personnel costs

Personnel costs include wages and salaries, basic endowment insurance, basic medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund of the Company's research and development personnel, as well as labor costs of external research and development personnel.

Where research and development personnel serve multiple research and development projects simultaneously, the recognition of personnel costs is based on the working hour records of research and development personnel for each research and development project provided by the Company's management department, and is allocated among different research and development projects on a pro-rata basis.

Where personnel directly engaged in research and development activities and external research and development personnel are simultaneously engaged in non-research and development activities, the Company allocates the actual personnel costs incurred between research and development expenses and production and operating expenses based on the working hour records of research and development personnel in different positions using reasonable methods such as actual working hour ratios.

(2) Direct input costs

Direct input costs refer to related expenditures actually incurred by the Company for implementing research and development activities, including: 1) costs of materials, fuel and power directly consumed; 2) costs of molds and process equipment development and manufacturing for pilot tests and trial production of products, purchase costs of samples, prototypes and general testing facilities that do not constitute fixed assets, and inspection costs of trial products; 3) costs of operation, maintenance, adjustment, inspection, testing and repair of instruments and equipment used for research and development activities.

(3) Depreciation expenses and long-term deferred expenses

Depreciation expenses refer to depreciation of instruments, equipment and buildings in use for research and development activities.

Where instruments, equipment and buildings in use for research and development activities are also used for non-research and development activities, necessary records are kept on the use of such instruments, equipment and buildings in use, and the actual depreciation incurred is allocated between research and development expenses and production and operating expenses using reasonable methods based on factors such as actual working hours and use area.

Long-term deferred expenses refer to long-term deferred expenses incurred in the process of reconstruction, modification, decoration and repair of research and development facilities, which are capitalized based on actual expenditures and amortized evenly over a specified period.

(4) Amortization of intangible assets

Amortization of intangible assets refers to the amortization of software, intellectual property rights and non-patented technology (proprietary technology, licenses, designs and calculation methods, etc.) used for research and development activities.

(5) Design costs

Design costs refer to costs incurred in conceiving, developing and manufacturing new products and new processes, and in designing processes, technical specifications, procedures and operating characteristics, including related costs incurred in creative design activities to obtain innovative, creative and breakthrough products.

(6) Equipment debugging costs and testing costs

Equipment debugging costs refer to costs incurred in research and development activities during the tooling preparation process, including costs incurred in activities such as developing special and dedicated production machinery, changing production and quality control procedures, or formulating new methods and standards.

Costs incurred in routine tooling preparation and industrial engineering for large-scale mass production and commercialization are not included in the scope of capitalization.

Testing costs include clinical trial costs for new drug development, field testing costs for exploration and development technology, and field trial costs.

(7) Outsourced research and development costs

Outsourced research and development costs refer to costs incurred by the Company in entrusting other domestic or overseas institutions or individuals to conduct research and development activities (where the results of research and development activities are owned by the Company and are closely related to the Company's principal operating activities).

(8) Other costs

Other costs refer to other costs directly related to research and development activities other than the above costs, including costs of technical books and materials, material translation costs, expert consultation fees, high-tech research and development insurance premiums, costs of retrieval, demonstration, review, appraisal and acceptance of research and development results, application fees, registration fees and agency fees for intellectual property rights, conference fees, travel expenses and

communication expenses.

4. Expenditure on the research phase of internal research and development projects is expensed as incurred. Expenditure on the development phase of internal research and development projects is recognized as an intangible asset when all of the following conditions are satisfied: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is an intention to complete the intangible asset and use or sell it; (3) the manner in which the intangible asset will generate economic benefits can be demonstrated, including the ability to demonstrate that there is a market for the output to be produced using the intangible asset or for the intangible asset itself, or, where the intangible asset is to be used internally, its usefulness can be demonstrated; (4) adequate technical, financial and other resources are available to complete the development of the intangible asset and the ability exists to use or sell the intangible asset; and (5) expenditure attributable to the development phase of the intangible asset can be measured reliably.

18. Impairment of long-term assets

With respect to long-term equity investments, fixed assets, construction in progress, intangible assets with a finite useful life, and other long-term assets, if there is an indication of impairment at the balance sheet date, the Company assesses their recoverable amount. Goodwill arising from a business merger and an intangible asset with an indefinite useful life are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, goodwill is considered together with the related asset groups or sets of asset groups.

If the recoverable amount of the long-term asset above is lower than its carrying value, the difference is measured as provision for asset impairment and recognized in profit or loss for the current period.

19. Long-term prepaid expenses

Long-term prepaid expenses are expenses that have already been incurred but should be amortized over a period of more than one year (exclusive). Long-term prepaid expenses are stated as incurred and are amortized evenly by stages within the benefit period or specified period. If an item of long-term prepaid expenses will not benefit the subsequent periods, the amortized value of the item that has not yet been amortized is wholly transferred to profit or loss for the current period.

20. Employee benefits

(1) Accounting treatment of short-term employee benefits

The Company recognizes the short-term benefits actually incurred during the accounting period when the employees provide services for the Company as liabilities, and include the same in profit or loss for the current period or as part of the cost of related assets.

(2) Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

(1) The Company recognizes the contributions payable as calculated based on the defined contribution plan during the accounting period when the employees provide services for the Company as liabilities, and include the same in profit or loss for the current period or as part of the cost of related assets.

(2) The accounting treatment of a defined benefit plan generally involves the following steps:

1) According to the projected unit credit method, use the unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, measure the obligation arising from the defined benefit plan and determine the period to which the relevant obligation belongs. Meanwhile, discount the obligation arising from the defined benefit plan, in order to determine the present value of the benefit plan obligation and the current service cost;

2) If the defined benefit plan has assets, the deficit or surplus resulting after reducing the present value of the defined benefit plan obligation by the fair value of the assets is recognized as a net liability or asset of the defined benefit plan. If the defined benefit plan has a surplus, the net assets of the defined benefit plan are measured at the lower of surplus in the defined benefit plan and asset ceiling;

3) At the end of the reporting period, the cost of employee benefits arising from the defined benefit plan is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, and changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan, wherein the service cost and the net interest on the net liabilities or net assets of the defined benefit plan are included in profit or loss for the current period or the cost of related assets, and the changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, which will not be converted back to profit or loss in subsequent periods, but those recognized as other comprehensive income may be transferred within the scope of equity.

(3) Accounting treatment of termination benefits

The Company recognizes the employment compensation liabilities generated by termination benefits and records them into the profit or loss for the current period at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the termination benefits provided as a result of the labor relationship termination plan or layoff proposal; or (2) when the Company recognizes the costs or expenses related to the restructuring of the termination benefits payment.

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

Other long-term employee benefits are accounted for in accordance with the provisions applicable to defined contribution plans if they are qualified as defined contribution plans, otherwise, are accounted for in accordance with the provisions applicable to defined benefit plans. In order to simplify the accounting treatment, the total net amount of the cost of employee benefits arising from the defined benefit plans that is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan and other components is included in profit or loss for the current period or the cost of related assets.

21. Estimated liabilities

1. An obligation arising from any external guarantee, litigation, product quality warranty, onerous contract or other contingencies is recognized as an estimated liability if it is a present obligation assumed by the Company, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured.

2. Estimated liabilities are initially measured according to the best estimates of the expenditures required to settle the related present obligations. The carrying value of provisions is reviewed at the balance sheet date.

22. Share-based payment

1. Category of share-based payment

Share-based payment includes equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment related to the implementation, modification and termination of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment transactions with employees that vest immediately upon grant, the fair value of the equity instruments at the grant date is recognized in the relevant costs or expenses with a corresponding adjustment to capital reserve. For equity-settled share-based payment transactions with employees that vest upon completion of service during the vesting period or achievement of specified performance conditions, at each balance sheet date during the vesting period, the services obtained during the period are recognized in the relevant costs or expenses at the fair value of the equity instruments at the grant date based on the best estimate of the number of equity instruments expected to vest, with a corresponding adjustment to capital reserve.

For equity-settled share-based payment transactions in exchange for services from parties other than employees, if the fair value of the services from other parties can be measured reliably, it is measured at the fair value of such services at the date the services are obtained; if the fair value of the services from other parties cannot be measured reliably but the fair value of the equity instruments can be measured reliably, it is measured at the fair value of the equity instruments at the date the services are obtained and recognized in the relevant costs or expenses with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees that vest immediately upon grant, the fair value of the liability assumed by the Company at the grant date is recognized in the relevant costs or expenses with a corresponding increase in liabilities. For cash-settled share-based payment transactions with employees that vest upon completion of service during the vesting period or achievement of specified performance conditions, at each balance sheet date during the vesting period, the services obtained during the period are recognized in the relevant costs or expenses and corresponding liabilities at the fair value of the liability assumed by the Company based on the best estimate of the vesting conditions.

(3) Modification and termination of share-based payment plans

If a modification increases the fair value of the equity instruments granted, the Company recognizes correspondingly the increase in services received based on the increase in the fair value of the equity instruments; if a modification increases the number of equity instruments granted, the Company recognizes correspondingly the fair value of the additional equity instruments as an increase in services received; if the Company modifies the vesting conditions in a manner that is beneficial to employees, the Company takes into account the modified vesting conditions when considering the vesting conditions.

If a modification decreases the fair value of the equity instruments granted, the Company continues to recognize the amount of services received based on the fair value of the equity instruments at the grant date without taking into account the decrease in fair value of the equity instruments; if a modification decreases the number of equity instruments granted, the Company treats the decrease as a cancellation of the equity instruments granted; if the vesting conditions are modified in a manner that is not beneficial to employees, the modified vesting conditions are not taken into account when considering the vesting conditions.

If the Company cancels or settles the equity instruments granted during the vesting period (other than those cancelled due to failure to satisfy vesting conditions), the cancellation or settlement is treated as an acceleration of vesting, and the amount that would

otherwise have been recognized over the remainder of the vesting period is recognized immediately.

23. Other financial instruments such as preference shares and perpetual bonds

In accordance with the relevant standards for financial instruments, for issued financial instruments such as convertible bonds, the Company classifies such financial instruments or their component parts as financial assets, financial liabilities or equity instruments at initial recognition based on the substance of the contractual arrangements of the financial instruments issued and their economic substance rather than merely their legal form, in combination with the definitions of financial assets, financial liabilities and equity instruments.

On the balance sheet date, for financial instruments classified as equity instruments, their interest expense or dividend distribution is treated as profit distribution of the Company, and their repurchase, cancellation, etc. are treated as changes in equity; for financial instruments classified as financial liabilities, their interest expense or dividend distribution is treated as borrowing costs, and gains or losses arising from their repurchase or redemption are recognized in profit or loss for the period.

24. Revenue

Accounting policies adopted for the recognition and measurement of revenues by business type

1. Revenue recognition

At the inception of the contract, the Company evaluates the contract, identifies each single performance obligation contained therein and determines whether each single performance obligation is performed over time or at a point in time.

When meeting one of the following criteria, it belongs to the obligation performed over time, otherwise it constitutes the obligation performed at a point in time: (1) the customer obtains and consumes the economic benefits generated by the Company's performance when the Company performs the contract; (2) the customer can control the products under construction in the process of the Company's performance; (3) the products produced in the process of the Company's performance have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance that has been completed up to date throughout the term of the contract.

For the obligation performed over time, the Company recognizes the revenue based on the performance progress over time. When the performance progress cannot be reasonably determined, and the costs incurred are expected to be recoverable, revenue is recognized to the extent of costs incurred until the performance progress can be reasonably determined. For the obligation performed at a point in time, the revenue is recognized at the time point when the customer obtains the control of the related goods or services. When judging whether the customer has obtained the control of goods, the Company considers the following signs: (1) the Company has the current right to receive payment for such goods, that is, the customer has the current obligation to make payment for such goods; (2) the Company has transferred the legal ownership of such goods to the customer, that is, the customer has the legal ownership of such goods; (3) the Company has transferred such goods to the customer physically, that is, the customer has taken possession of such goods physically; (4) the Company has transferred major risks and rewards of such goods to the customer, that is, the customer has obtained major risks and rewards of such goods; (5) the customer has accepted such goods; and (6) other signs that the customer has obtained control of such goods.

2. Revenue measurement

(1) The Company measures revenue based on the transaction price allocated to each single performance obligation. The transaction price is the amount of consideration to which the Company is entitled arising from the transfer of goods or services to the customer, excluding the amount collected on behalf of a third party and expected to be returned to the customer.

(2) If there is variable consideration in the contract, the Company determines the best estimate of the variable consideration based on the expected value or the most likely amount. However, variable consideration is included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal of accumulatively recognized revenue in the future when the uncertainty has been subsequently resolved.

(3) If there is a major financing component in the contract, the Company determines the transaction price based on the presumed amount payable in cash when the customer obtains the control of goods or services. The difference between that transaction price and the contract consideration is amortized over the period of the contract using the effective interest method. If at the inception of the contract, the Company expects that the customer's acquisition of control of goods or services is not more than one year from the customer's payment therefor, the major financing component in the contract will not be considered.

(4) If the contract has two or multiple performance obligations, the Company allocates the transaction price to each single performance obligation in the contract by reference to relative standalone selling prices of goods promised thereby.

3. Specific methods for revenue recognition

(1) Export sales

1) Primary export sales model: The Company enters into sales orders with customers with delivery terms generally on an FOB (Free on Board) or DAP (Delivered at Place) basis, and engages third parties to handle customs declaration for export. Under FOB terms, revenue from export sales is recognized at the time of customs declaration and obtaining the bill of lading, with the corresponding product costs recognized concurrently; under DAP terms, revenue from export sales is recognized upon receipt of the confirmation issued by the customer after goods receipt and acceptance, with the corresponding product costs recognized concurrently.

2) Vendor-managed inventory export sales model: Certain customers implement zero inventory management, and such customers settle with the Company based on actual monthly usage. The Company recognizes revenue based on the settlement statements issued by the customers, with the corresponding product costs recognized concurrently.

(2) Domestic sales

1) Primary domestic sales model: The Company delivers products to locations designated by customers in accordance with the agreements, the customers are responsible for receipt and acceptance of the products, and regular reconciliations and settlements are conducted with the Company (typically monthly). The Company recognizes revenue based on the reconciliation, with the corresponding product costs recognized concurrently.

2) Vendor-managed inventory domestic sales model: Certain customers implement zero inventory management, and such customers settle with the Company based on actual monthly usage. The Company recognizes revenue based on the settlement statements, with the corresponding product costs recognized concurrently.

Differences in the accounting policies for revenue recognition and measurement arising from adoption of different modes of operation for the same kind of business

N/A.

25. Contract assets, contract liabilities

Contract assets or contract liabilities are presented in the balance sheet according to the relationship between the relevant performance obligations and payment by the customer. Contract assets and contract liabilities under the same contract are presented on a net basis.

The Company presents as account receivable the unconditional rights (i.e., rights dependent only on the passage of time) to receive consideration from customers, and presents as contract assets the rights to receive consideration in exchange for goods transferred to customers where such rights are dependent on factors other than the passage of time.

The Company presents as contract liabilities the obligations to transfer goods to customers for which consideration has been received or is receivable from customers.

26. Government grants

1. Government grants are recognized if (1) the Company meets the conditions attached to the government grants; and (2) the Company will receive the government grants. If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount.

2. Determination and accounting treatment of government grants related to assets

Government grants related to assets are government grants which are offered for purchasing, constructing or otherwise acquiring long-term assets as provided by the applicable government documents, or in the absence of such express provision in the applicable government documents, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire long-term assets. The government grants related to assets are offset against the carrying value of the related assets or recognized as deferred income. Government grants related to assets recognized as deferred income are included in profit or loss over the useful life of the relevant assets on a reasonable and systematic basis. Government grants measured at nominal amount are directly recognized in profit or loss for the current period. In case of sale, transfer, retirement or damage of the relevant assets before the end of useful life, the balance of the unallocated deferred income is transferred to profit or loss for the period in which the assets are disposed of.

3. Determination and accounting treatment of government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to both assets and income in which it is difficult to make a distinction between the portion related to assets and the portion related to income are wholly classified as government grants related to income. Government grants related to income as compensation for expenses or losses to be incurred in subsequent periods are recognized as deferred income and in the period for recognizing the relevant costs, expenses or losses, included in profit or loss for the current period or offset against the relevant costs. Government grants related to income as compensation for expenses or losses already incurred are directly included in profit or loss for the current period or offset against the relevant costs.

4. Government grants related to day-to-day operations of the Company are recognized in other income or offset against the relevant costs and expenses depending on the nature of economic business. Government grants not related to day-to-day operations of the Company are recognized in non-operating revenues or expenses.

5. Accounting treatment of policy preferential loans and interest subsidies

(1) If the Ministry of Finance appropriates the interest subsidies to the lending bank, and then the lending bank offers a loan to the Company at the policy-based preferential interest rate, the Company recognizes the loan amount actually received as the recorded amount of the loan, and calculates the borrowing costs according to the loan principal and such policy-based preferential interest rate.

(2) If the Ministry of Finance directly appropriates the interest subsidies to the Company, the Company offsets the corresponding interest subsidy against the related borrowing costs.

27. Deferred tax assets / deferred tax liabilities

1. The difference between the tax base of an asset or liability and its carrying value (or in case of an item not recognized as asset or liability whose tax base can be determined according to the applicable tax law, the difference between its tax base and carrying value), is recognized as a deferred tax asset or deferred tax liability according to the tax rate applicable to the period in which the asset or liability is expected to be recovered or settled.

2. Deferred income tax assets are recognized to the extent of the amount of taxable income that will be available in future periods against which deductible temporary differences are deductible. At the balance sheet date, deferred tax assets not recognized in prior periods are recognized if there is conclusive evidence that it is probable that sufficient taxable income will be available in future periods against which the deductible temporary differences are deductible.

3. At the balance sheet date, the carrying value of a deferred tax asset is reviewed. The Company reduces the carrying value of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of the deferred tax asset to be utilized. Any such reduction in amount is reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. Current and deferred tax of the Company is recognized as income or an expense and included in profit or loss for the current period, except to the extent that the tax arises from: (1) business merger; or (2) a transaction or event which is recognized directly in owner's equity.

5. The Company presents deferred tax assets and deferred tax liabilities on a net basis when all of the following conditions are met: (1) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (2) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

28. Lease

(1) Accounting treatment for leases as lessee

At the commencement date of the lease term, the Company recognizes a lease with a lease term not more than 12 months that includes no purchase option as short-term lease; and a lease at lower value when the individually leased asset is brand-new as low-value asset lease. If the Company subleases or expects to sublease the leased assets, the original lease is not recognized as a low-value asset lease.

For all short-term lease and low-value asset lease, the Company recognizes the lease payments in the cost of related assets or profit or loss for the current period on a straight-line basis over the term of the relevant lease.

Except the above short-term leases and low-value asset leases subject to simplified treatment, the Company recognizes the right of use assets and lease liabilities on the lease at the commencement date of the lease period.

(1) Right of use assets

The right of use asset is initially measured at cost, which includes: 1) the initially measured amount of the lease liability; 2) the lease payments made on or before the commencement date of the lease term less the amount related to lease incentives (if any); 3) the initial direct costs incurred by the lessee; 4) the costs that the lessee expects to incur in order to dismantle and remove the leased asset, restore the site where the leased asset locates, or restore the leased asset to the condition agreed upon in the lease terms.

The Company depreciates the right of use asset on a straight-line basis. If it reasonably ensures that ownership of the leased assets will be obtained at the expiry of the lease term, the Company will depreciate the leased assets over their remaining useful lives. If not, the Company will depreciate the leased asset over the shorter of the lease term or the remaining useful life of the leased asset.

(2) Lease liabilities

At the commencement date of the lease term, the Company recognizes the present value of the outstanding lease payments as a lease liability. When calculating the present value of lease payments, the interest rate implicit in the lease is determined as the discount rate. If the interest rate in the lease is unavailable, the Company's incremental borrowing rate is determined as the discount rate. The difference between the lease payments and their present value is recognized as an unrecognized financing expense, with interest expenses recognized at the discount rate used to recognize the present value of the lease payments and charged to profit or loss for the current period over the term of the relevant lease. The variable lease payments not measured as the lease liability are recognized in profit or loss when they are actually incurred.

After the commencement date of the lease term, when there is a change in the substantive fixed payments, the expected amount payable for the guaranteed residual value, the index or rate used to determine the lease payments, or the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Company will remeasure the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right of use asset accordingly. If the carrying amount of the right of use asset has been reduced to nil but the lease liability still needs to be further reduced, the remaining amount will be recognized in profit or loss for the current period.

(2) Accounting treatment for leases as lessor

At the commencement date of the lease, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

(1) Operating leases

The Company recognizes lease receipts as rental income on a straight-line basis over each period of the lease term. Initial direct costs incurred are capitalized and amortized on the same basis as the recognition of rental income, and are recognized in profit or loss for the current period in installments. Variable lease payments related to operating leases that are not included in lease receipts obtained by the Company are recognized in profit or loss when they are actually incurred.

(2) Finance leases

At the commencement date of the lease term, the Company recognizes the finance lease payments receivable in accordance with the net lease investment (sum of the unguaranteed residual value and the lease payment not received on the commencement date of the lease period based on the present value discounted at the inherent interest rate implicit in the lease), and derecognizes the finance lease assets. At each phase of the lease period, the Company calculates and recognizes the interest income at the inherent interest rate of the lease.

The amount of variable lease payments obtained by the Company that are not accrued to the measurement of net lease investment is accrued to the current profit or loss when actually incurred.

(3) Sale and leaseback

(1) The Company as lessee

The Company assesses and determines whether the transfer of assets in a sale and leaseback transaction constitutes a sale in accordance with the requirements of ASBE No. 14 - Revenue.

If the transfer of assets in a sale and leaseback transaction constitutes a sale, the Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained, and recognizes only the amount of any gain or loss that relates to the rights transferred to the lessor.

If the transfer of assets in a sale and leaseback transaction does not constitute a sale, the Company continues to recognize the transferred asset and recognizes a financial liability equal to the transfer proceeds, and accounts for the financial liability in accordance with ASBE No. 22 - Recognition and Measurement of Financial Instruments.

(2) The Company as lessor

The Company assesses and determines whether the transfer of assets in a sale and leaseback transaction constitutes a sale in accordance with the requirements of ASBE No. 14 - Revenue.

If the transfer of assets in a sale and leaseback transaction constitutes a sale, the Company accounts for the purchase of the asset applying other applicable accounting standards for business enterprises, and accounts for the lease of the asset in accordance with ASBE No. 21 - Leases.

If the transfer of assets in a sale and leaseback transaction does not constitute a sale, the Company does not recognize the transferred asset, but recognizes a financial asset equal to the transfer proceeds, and accounts for the financial asset in accordance with ASBE No. 22 - Recognition and Measurement of Financial Instruments.

29. Segment reporting

The Company determines its operating segments based on its internal organizational structure, management requirements, internal reporting system and other factors. An operating segment of the Company is a component that satisfies all of the following conditions:

1. The component is able to earn revenues and incur expenses from its ordinary activities;

2. The operating results of the component are regularly reviewed by the management to make decisions about resources to be allocated to the component and assess its performance;

3. Financial information regarding the financial position, operating results and cash flows of the component is available.

30. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☑Applicable ☐N/A

In RMB

Content and reasons for change in accounting policy	Names of statement items significantly affected	Impact amount

The Company has adopted the provisions of "Classification of Current and Non-current Liabilities" under the Interpretation of Accounting Standards for Business Enterprises No. 17 promulgated by the Ministry of Finance from January 1, 2024. This change in accounting policy has no impact on the Company's financial statements.	No impact	0.00
The Company has adopted the provisions of "Disclosure of Supplier Finance Arrangements" under the Interpretation of Accounting Standards for Business Enterprises No. 17 promulgated by the Ministry of Finance from January 1, 2024.	No impact	0.00
The Company has adopted the provisions of "Accounting for Sale and Leaseback Transactions" under the Interpretation of Accounting Standards for Business Enterprises No. 17 promulgated by the Ministry of Finance from January 1, 2024. This change in accounting policy has no impact on the Company's financial statements.	No impact	0.00
The Company has adopted the provisions of "Accounting for Assurance-type Warranties that are Not a Separate Performance Obligation" under the Interpretation of Accounting Standards for Business Enterprises No. 18 promulgated by the Ministry of Finance from December 6, 2024. This change in accounting policy has no impact on the Company's financial statements.	No impact	0.00

(2) Changes in significant accounting estimates

☐Applicable ☑N/A

(3) Adjustments to relevant items in the financial statements as at the beginning of the year of first-time adoption upon first-time adoption of new accounting standards from 2024

☐Applicable ☑N/A

VI. Taxes

1. Major categories of taxes and tax rates

Tax type	Taxation basis	Tax rate
VAT	VAT payable is the output tax based on the sale of goods and taxable labor income calculated pursuant to the tax law, net of the input tax that is allowed to be deducted in the current period.	13%, 9%, 6%
Urban maintenance and construction tax	Actually paid turnover tax	5%, 7%
Enterprise income tax	Taxable income	15%, 16.5%, 20%, 25%
Land appreciation tax	Appreciation arising from the paid transfer of state-owned land use rights and the property rights of buildings and other attachments thereon	30%
Property tax	If it is levied on an ad valorem basis, the tax is calculated as 1.2% of the remaining value after deducting 30% of the original value of the property; if it is levied subject to rent, the tax is calculated as 12% of the rental income.	1.2%, 12%
Education surcharges	Actually paid turnover tax	3%
Local education surcharges	Actually paid turnover tax	2%

Disclosure of taxpayers with different rates of enterprise income tax:

Taxpayer	Rate of income tax
The Company	25%

Zhejiang Haolong Electric Co., Ltd. (hereinafter referred to as "Haolong Electric")	15%
Tuson Precision Machinery (Jiaxing) Co., Ltd. (hereinafter referred to as "Tuson Precision")	15%
Zhejiang Fenglong Technology Co., Ltd. (hereinafter referred to as "Fenglong Technology")	15%
Hangzhou Fenglong Technology Co., Ltd. (hereinafter referred to as "Hangzhou Fenglong")	20%
Zhejiang Maisheng Machinery Co., Ltd. (hereinafter referred to as "Maisheng Machinery")	20%
Zhejiang Yichuang Technology Co., Ltd. (hereinafter referred to as "Yichuang Technology")	20%
Fenglong Hong Kong	16.5%

2. Tax incentives

1. Export goods are subject to the VAT "exemption, credit and refund" policy. The Company's export VAT refund rates are 13% and 10%.

2. According to the Announcement on the Implementation of Income Tax Preferential Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Ministry of Finance and State Taxation Administration Announcement No. 6 of 2023) and the Announcement on Further Implementation of Income Tax Preferential Policies for Small and Micro Enterprises (Ministry of Finance and State Taxation Administration Announcement No. 13 of 2022), Hangzhou Fenglong, Maisheng Machinery and Yichuang Technology meet the criteria for small low-profit enterprises and are subject to enterprise income tax at a rate of 20%.

3. Tax incentives for high and new technology enterprises

Name of taxpayer	Date of high and new technology enterprise qualification recognition	Validity period	High-tech enterprise certificate number	Applicable tax rate
Haolong Electric	2024	2024-2026	GR202433005938	15%
Tuson Precision	2022	2022-2024	GR202233002714	15%
Fenglong Technology	2023	2023-2025	GR202333002612	15%

VII. Notes to Items in the Consolidated Financial Statements

1. Cash at bank and on

In RMB

Item	Closing balance	Opening balance
Cash on hand	73,989.34	50,360.15
Bank deposits	157,748,202.35	142,469,184.39
Other monetary funds	5,164,094.34	1,635,213.27
Total	162,986,286.03	144,154,757.81
Incl.: Total amount of funds deposited overseas	12,370,304.93	1,707,805.48

Other information:

Description of restricted funds

Item	Closing balance	Opening balance
Margin for bank acceptance bills	5,159,943.38	1,633,126.01
Sub-total	5,159,943.38	1,633,126.01

2. Financial assets held for trading

In RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	107,050,000.00	133,242,000.00
Incl.:		
Wealth management products	107,050,000.00	133,242,000.00
Incl.:		
Total	107,050,000.00	133,242,000.00

Other information:

3. Notes receivable

(1) Presentation of notes receivable by category

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills		1,564,681.35
Total		1,564,681.35

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl.:										
Notes receivable for which the provision for bad debts were made by group						1,564,681.35	100.00%			1,564,681.35
Incl.:										
Bank acceptance bills						1,564,681.35	100.00%			1,564,681.35
Total						1,564,681.35	100.00%			1,564,681.35

If the provision for bad debts on notes receivable is made in accordance with the general model of expected credit loss:
☐Applicable☑N/A

4. Accounts receivable

(1) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	147,809,094.33	121,942,387.98
1-2 years	2,085,386.75	2,509,961.86
2-3 years	1,714,583.33	6,111.00
Total	151,609,064.41	124,458,460.84

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Accounts receivable for which provision for bad debts is made individually	16,071. 31	0.01%	16,071. 31	100.00%						
Incl.:										
Accounts receivable for which provision for bad debts is made by group	151,592,993.10	99.99%	8,112,564.82	5.35%	143,480,428.28	124,458,460.84	100.00%	6,349,948.88	5.10%	118,108,511.96
Incl.:										
Total	151,609,064.41	100.00%	8,128,636.13	5.36%	143,480,428.28	124,458,460.84	100.00%	6,349,948.88	5.10%	118,108,511.96

Provision for bad debts on a collective basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	147,793,023.02	7,389,651.14	5.00%
1-2 years	2,085,386.75	208,538.68	10.00%
2-3 years	1,714,583.33	514,375.00	30.00%
Total	151,592,993.10	8,112,564.82	

Description of basis for determining the group:

If the provision for bad debts on accounts receivable is made in accordance with the general expected credit loss model,
☐Applicable☑N/A

(3) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts on an individual basis		16,071.31				16,071.31
Provision for bad debts on a collective basis	6,349,948.88	1,762,615.94				8,112,564.82
Total	6,349,948.88	1,778,687.25				8,128,636.13

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reasons for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

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

In RMB

Item	Write-off amount

Information of significant accounts receivable that are written off:

In RMB

Entity	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of write-off of accounts receivable:

No accounts receivable was written off in the current period.

(5) Top five closing balances of Accounts receivable and contract assets categorized by debtor

In RMB

Entity	Closing balance of accounts receivable	Closing balance of contract assets	Total closing balance of accounts receivable and contract assets	Percentage of total closing balance of accounts receivable and contract assets	Closing balance of provision for bad debts on accounts receivable and provision for impairment of contract assets
Caterpillar	19,814,295.75		19,814,295.75	12.52%	990,714.79
Weichai Hydraulic Transmission Co., Ltd.	14,979,684.24	665,304.71	15,644,988.95	9.89%	782,249.45
Husqvarna AB	13,393,364.72		13,393,364.72	8.46%	669,668.24
MUVIQ S.R.L	12,033,741.55		12,033,741.55	7.61%	601,687.08
TTI Partners SPC	11,566,830.43		11,566,830.43	7.31%	578,341.52
Total	71,787,916.69	665,304.71	72,453,221.40	45.79%	3,622,661.08

5. Contract assets

(1) Details of contract assets

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carry value	Book balance	Provision for bad debts	Carry value
Quality guarantee deposits receivable	6,612,939.68	629,550.21	5,983,389.47	5,027,273.14	251,363.66	4,775,909.48
Total	6,612,939.68	629,550.21	5,983,389.47	5,027,273.14	251,363.66	4,775,909.48

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carry value	Book balance		Provision for bad debts		Carry value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Provision for bad debts on an individual basis	314,634.97	4.76%	314,634.97	100.00%						
Incl:										
Provision for bad debts on a collective basis	6,298,304.71	95.24%	314,915.24	5.00%	5,983,389.47	5,027,273.14	100.00%	251,363.66	5.00%	4,775,909.48
Incl:										
Total	6,612,939.68	100.00%	629,550.21	9.52%	5,983,389.47	5,027,273.14	100.00%	251,363.66	5.00%	4,775,909.48

Provision for bad debts on a collective basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Within 1 year	6,298,304.71	314,915.24	5.00%
Total	6,298,304.71	314,915.24	

Basis for determining such group:

Provision for bad debts in accordance with the general expected credit loss model

☐Applicable ☑N/A

(3) Provision for bad debts made, recovered or reversed during the current period

In RMB

Item	Provision made during the current period	Recovered or reversed during the current period	Written off/written down during the current period	Reason
Provision for impairment on an individual basis	314,634.97			
Provision for impairment on a collective basis	63,551.58			
Total	378,186.55			——

Significant amounts of provision for bad debts recovered or reversed during the current period:

In RMB

Entity	Amount recovered or reversed	Reason for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

Other information:

(4) Contract assets actually written off during the current period

In RMB

Item	Write-off amount

Significant write-offs of contract assets

In RMB

Entity	Nature of amount	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arose from related party transactions

Explanation of contract asset write-offs:

No contract assets were written off during the current period.

Other information:

6. Financing receivables

(1) Classification and presentation of Financing receivables

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills	24,768,989.48	27,153,231.35
Total	24,768,989.48	27,153,231.35

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carry value	Book balance		Provision for bad debts		Carry value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl:										
Provision for bad debts on a collective basis	24,768, 989.48	100.00%			24,768, 989.48	27,153, 231.35	100.00%			27,153, 231.35
Incl:										
Bank acceptance bills	24,768, 989.48	100.00%			24,768, 989.48	27,153,231.35	100.00%			27,153,231.35
Total	24,768, 989.48	100.00%			24,768, 989.48	27,153,231.35	100.00%			27,153,231.35

Provision for bad debts on a collective basis:

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Bank acceptance bills	24,768,989.48		
Total	24,768,989.48		

Basis for determining such group:

Provision for bad debts in accordance with the general expected credit loss model

In RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2024 in the current period				

Basis for classification into each stage and provision ratio for bad debts

Explanation of significant changes in the book balance of Financing receivables for which loss provisions changed during the current period:

(3) Financing receivables pledged by the Company at the end of the period

In RMB

Item	Amount pledged at the end of the period
Bank acceptance bills	6,430,221.69
Total	6,430,221.69

(4) Financing receivables endorsed or discounted by the Company that have not yet matured as at the balance sheet date at the end of the period

In RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	11,038,782.67[1]	
Total	11,038,782.67	

Note: 1 The acceptors of bank acceptance bills are commercial banks with high creditworthiness. The possibility of non-payment at maturity of bank acceptance bills accepted by such banks is relatively low. Therefore, the Company derecognizes such bank acceptance bills that have been endorsed or discounted. However, if such bills are not paid at maturity, in accordance with the provisions of the Negotiable Instruments Law, the Company will still bear joint and several liability to the holder.

7. Other receivables

In RMB

Item	Closing balance	Opening balance
Other receivables	1,263,357.86	762,226.77
Total	1,263,357.86	762,226.77

(1) Other receivables

1) Category of other receivables by nature

In RMB

Nature	Closing book balance	Opening book balance
Export tax rebates receivable	941,077.50	357,170.21
Petty cash	315,000.00	325,000.00
Receivables of temporary payments	196,150.24	281,580.08
Security deposit	127,650.00	141,750.00
Total	1,579,877.74	1,105,500.29

2) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	1,214,297.74	710,470.29
1-2 years	59,750.00	169,200.00
2-3 years	80,000.00	220,000.00
Over 3 years	225,830.00	5,830.00
3-4 years	220,000.00	5,000.00
4-5 years	5,000.00	400.00
Over 5 years	830.00	430.00
Total	1,579,877.74	1,105,500.29

3) Disclosed by classification according to method of provision for bad debts

☑Applicable ☐N/A

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carry value	Book balance		Provision for bad debts		Carry value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Provision for bad debts on an individual basis	220,000.00	13.93%	220,000.00	100.00%		295,000.00	26.68%	295,000.00	100.00%	
Incl:										
Provision for bad debts on a collective basis	1,359,877.74	86.07%	96,519. 88	7.10%	1,263,357.86	810,500.29	73.32%	48,273. 52	5.96%	762,226.77
Incl:										
Total	1,579,877.74	100.00%	316,519.88	20.03%	1,263,357.86	1,105,500.29	100.00%	343,273.52	31.05%	762,226.77

Provision for bad debts on a collective basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Within 1 year	1,214,297.74	60,714.88	5.00%
1-2 years	59,750.00	5,975.00	10.00%
2-3 years	80,000.00	24,000.00	30.00%
Over 4 years	5,830.00	5,830.00	100.00%
Total	1,359,877.74	96,519.88	

Basis for determining such group:

Provision for bad debts in accordance with the general expected credit loss model:

In RMB

Provisions for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2024	35,523.52	9,420.00	298,330.00	343,273.52
Balance as at January 1, 2024 in the current period				
- Transferred to Stage II	-2,987.50	2,987.50		
- Transferred to Stage III		-8,000.00	8,000.00	
Provision made during the current period	28,178.86	1,567.50	18,500.00	48,246.36
Reversal for the current period			75,000.00	75,000.00
Balance as at December 31, 2024	60,714.88	5,975.00	249,830.00	316,519.88

Basis for classification into each stage and provision ratio for bad debts

Basis for classification into each stage: At each balance sheet date, the Company measures the expected credit losses of financial instruments at different stages separately. For financial instruments whose credit risk has not increased significantly since initial recognition, which are in Stage I, the Company measures loss provisions based on expected credit losses within the next 12 months; for financial instruments whose credit risk has increased significantly since initial recognition but have not yet been credit-impaired, which are in Stage II, the Company measures loss provisions based on lifetime expected credit losses of the instrument; for financial instruments that have been credit-impaired since initial recognition, which are in Stage III, the Company measures loss provisions based on lifetime expected credit losses of the instrument.

Significant changes in book balance where loss provisions changed materially during the current period

☐Applicable ☑N/A

4) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts on other receivables	343,273.52	48,246.36	75,000.00			316,519.88
Total	343,273.52	48,246.36	75,000.00			316,519.88

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reasons for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

There were no significant recoveries or reversals of provision for bad debts for the period.

5) Other receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant other receivables that are written off:

In RMB

Entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of write-off of other receivables:

No significant other receivables was written off in the current period.

6) Top five closing balances of other receivables categorized by debtor

In RMB

Entity	Nature of other receivables	Closing balance	Aging	Proportion of total closing balance of other receivables	Closing balance of provisions for bad debts
State Treasury of the People's Republic of China, Shangyu District Sub-treasury, Shaoxing	Export tax rebates receivable	941,077.50	Within 1 year	59.57%	47,053.88
Li Jin (employee)	Advances to employees	220,000.00	3-4 years	13.93%	220,000.00
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch	Receivables of temporary payments	196,120.24	Within 1 year	12.41%	9,806.01
Guizhou Huiqun Trading Co., Ltd.	Deposits	50,000.00	2-3 years	3.16%	15,000.00
Mo Long (employee)	Advances to employees	35,000.00	Within 1 year, 1-2 years	2.22%	2,750.00
Total		1,442,197.74		91.29%	294,609.89

8. Prepayments

(1) Presentation of prepayments by aging

In RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	6,278,412.21	83.98%	5,186,142.92	88.73%
1-2 years	808,988.66	10.82%	323,965.78	5.54%
2-3 years	128,662.52	1.72%	165,957.37	2.84%
Over 3 years	259,744.58	3.48%	168,834.47	2.89%
Total	7,475,807.97		5,844,900.54	

Reasons for overdue settlement of prepayments with significant amounts and aged more than 1 year:

There were no significant prepayments aged over 1 year as at the end of the period.

(2) Top five closing balances of prepayments categorized by receivers

Entity	Book balance	Proportion to total prepayments (%)
Ningbo Chenhong Mould Machinery Co., Ltd.	2,517,000.00	33.67
Ningbo Beilun Huiteng Mold Co., Ltd.	2,170,100.00	29.03
Zhejiang Fulite New Materials Co., Ltd.	355,270.46	4.75
Shaoxing Shangyu Natural Gas Co., Ltd.	343,567.20	4.60
Anyang Kaidi Magnetic Technology Co., Ltd.	130,423.42	1.74
Sub-total	5,516,361.08	73.79

Other information:

9. Inventories

Did the Company need to comply with the disclosure requirements on the real estate industry?

No

(1) Categories of inventories

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value

Raw materials	57,742,968.25	8,744,853.80	48,998,114.45	60,293,175.51	8,350,295.81	51,942,879.70
Work in process	26,935,604.11	440,434.46	26,495,169.65	22,186,202.94	582,473.60	21,603,729.34
Goods on hand	42,549,749.62	3,117,421.33	39,432,328.29	45,443,019.57	1,889,529.60	43,553,489.97
Turnover materials	6,975,650.90	469,381.17	6,506,269.73	6,693,007.53	508,797.65	6,184,209.88
Goods upon delivery	11,015,713.98		11,015,713.98	8,114,865.46		8,114,865.46
Work in process held by subcontractors	2,845,430.80		2,845,430.80	2,344,477.26		2,344,477.26
Total	148,065,117. 66	12,772,090.76	135,293,026. 90	145,074,748. 27	11,331,096.66	133,743,651. 61

(2) Provision for decline in value of inventories and for impairment of contract performance costs

In RMB

Item	Opening balance	Increase during the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	8,350,295.81	2,796,787.06		2,402,229.07		8,744,853.80
Work in progress	582,473.60	-131,993.99		10,045.15		440,434.46
Goods on hand	1,889,529.60	1,586,165.34		358,273.61		3,117,421.33
Turnover materials	508,797.65			39,416.48		469,381.17
Total	11,331,096.66	4,250,958.41		2,809,964.31		12,772,090.76

Specific basis for determining net realizable value and reasons for reversal or write-off of provision for inventory write-down during the current period

Item	Specific basis for determining net realizable value	Reasons for reversal of provision for inventory write-down during the current period	Reasons for write-off of provision for inventory write-down
Raw materials	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period
Work in progress	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period
Goods on hand	Net realizable value is determined at the estimated selling price of the related finished goods less estimated selling expenses and related taxes		Sold during the current period
Turnover materials	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period

Provision for inventory write-down by group

In RMB

Name of group	Closing balance			Opening balance		
	Closing balance	Provision for decline in value	Provision ratio for decline in value	Opening balance	Provision for decline in value	Provision ratio for decline in value

Basis for provision for inventory write-down by group

10. Other current assets

In RMB

Item	Closing balance	Opening balance
Input VAT to be deducted	4,115,942.16	1,020,833.73
Prepaid enterprise income tax		394,859.90
Total	4,115,942.16	1,415,693.63

Other information:

11. Fixed assets

In RMB

Item	Closing balance	Opening balance
Fixed assets	302,582,794.08	317,799,531.79
Disposal of fixed assets		
Total	302,582,794.08	317,799,531.79

(1) Details of fixed assets

In RMB

Item	Buildings and constructions	General equipment	Specialized equipment	Vehicles	Total
I. Original carrying value:					
1.Opening balance	245,473,064.33	11,248,884.90	246,527,070.51	10,074,123.52	513,323,143.26
2. Increase during the current period	3,942,615.82	867,050.70	18,615,849.26		23,425,515.78
(1) Purchase		374,248.83	6,975,699.05		7,349,947.88
(2) Transfer from construction in progress	3,942,615.82	492,801.87	11,640,150.21		16,075,567.90
(3) Increase due to business merger					
3. Decrease in the current period	7,953,148.43		257,303.19	1,735,404.26	9,945,855.88
(1) Disposal or retirement	7,953,148.43		257,303.19	1,735,404.26	9,945,855.88
4. Closing balance	241,462,531.72	12,115,935.60	264,885,616.58	8,338,719.26	526,802,803.16
II. Accumulative depreciation					
1.Opening balance	54,418,408.79	5,690,835.67	126,154,923.20	9,259,443.81	195,523,611.47
2.Increase during the current period	11,567,701.99	1,246,504.25	20,818,057.09	212,172.34	33,844,435.67
(1) Provision	11,567,701.99	1,246,504.25	20,818,057.09	212,172.34	33,844,435.67
3. Decrease in the current period	3,409,491.40		89,912.62	1,648,634.04	5,148,038.06
(1) Disposal or retirement	3,409,491.40		89,912.62	1,648,634.04	5,148,038.06

4. Closing balance	62,576,619.38	6,937,339.92	146,883,067.67	7,822,982.11	224,220,009.08
III. Provision for impairment					
1.Opening balance					
2.Increase during the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or retirement					
4. Closing balance					
IV. Carrying value					
1. Closing carrying value	178,885,912.34	5,178,595.68	118,002,548.91	515,737.15	302,582,794.08
2. Opening carrying value	191,054,655.54	5,558,049.23	120,372,147.31	814,679.71	317,799,531.79

(2) Property, plant and equipment that are temporarily idle

In RMB

Item	Original carrying value	Accumulated depreciation	Impairment provision	Carrying amount	Remarks
Buildings and constructions	9,637,588.41	8,209,153.98		1,428,434.43	
General equipment	326,209.28	307,792.56		18,416.72	
Specialized equipment	6,261,874.69	5,390,095.75		871,778.94	
Subtotal	16,225,672.38	13,907,042.29		2,318,630.09	Old factory premises in Lianghu, Shangyu District, Shaoxing City are temporarily idle

(3) Fixed assets for which property ownership certificates have not been obtained

In RMB

Item	Carrying value	Reasons for not obtaining property ownership certificate
Hangzhou Bay headquarters factory building	137,392,189.13	Factory building acceptance procedures are in progress; property ownership certificate will be obtained after acceptance

Other information:

12. Construction in progress

In RMB

Item	Closing balance	Opening balance
Construction in progress	160,285,463.29	151,576,296.64
Total	160,285,463.29	151,576,296.64

(1) Details of construction in progress

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
New project for production of 3.25 million sets of hydraulic components and 4.10 million sets of automotive precision metal parts per annum	159,167,500. 18		159,167,500. 18	137,927,253. 39		137,927,253. 39
New project for production of 16 million pieces of key components for garden machinery per annum	689,723.83		689,723.83	11,709,225.79		11,709,225.79
Other miscellaneous projects	563,239.28	135,000.00	428,239.28	2,074,817.46	135,000.00	1,939,817.46
Total	160,420,463. 29	135,000.00	160,285,463. 29	151,711,296. 64	135,000.00	151,576,296. 64

(2) Changes in significant construction in progress projects during the current period

In RMB

Item	Budget	Opening balance	Increase during the current period	Transfer to fixed assets during the current period	Other decrease during the current period	Closing balance	Cumulative project expenditure as a percentage of budget	Project progress	Cumulative capitalized interest	Incl: Interest capitalized during the current period	Interest capitalization rate during the current period	Source of funding
New project for production of 3.25 million sets of hydraulic components and 4.10 million sets of automotive precision metal parts per annum	315,000,000.00	137,927,253.39	22,630,887.94	1,390,641. 15		159,167,500.18	49.92%	50.00%	30,079,982.29	6,541,858. 43	7.52%	Proceeds from share issuance
New project for production of 16 million pieces of key components for garden machinery per annum	123,711,900.00	11,709,225.79	1,736,31156	12,755,813.52		689,723.83	110.33%	99.00%				Proceeds from share issuance
Other miscellaneous projects		2,074,817. 46	417,535.05	1,929,113. 23		563,239.28						Others
Total	438,711,900.00	151,711,296.64	24,784,734.55	16,075,567.90		160,420,463.29			30,079,982.29	6,541,858. 43		

Notes: 1 The budget for this project includes proceeds from share issuance and others.

(3) Provision for impairment of construction in progress during the current period

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reasons for provision
Other miscellaneous projects	135,000.00			135,000.00	
Total	135,000.00			135,000.00	--

Other information:

(4) Impairment testing of construction in progress

☐Applicable ☑N/A

13. Intangible assets

(1) Details of intangible assets

In RMB

Item	Land use rights	Patent	Non-patent technology	Software	Patent technology and trademarks	Total
I. Original carrying value						
1. Opening balance	64,935,909.34			4,318,030.80	17,671,400.00	86,925,340.14
2. Increase during the current period				393,964.15		393,964.15
(1) Purchase				393,964.15		393,964.15
(2) Internal research and development						
(3) Increase due to business mergers						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	64,935,909.34			4,711,994.95	17,671,400.00	87,319,304.29
II. Accumulated amortization						
1. Opening balance	11,061,018.60			2,695,628.34	8,835,700.20	22,592,347.14

2. Increase during the current period	1,300,290.09			307,106.59	1,767,140.04	3,374,536.72
(1) Provision	1,300,290.09			307,106.59	1,767,140.04	3,374,536.72
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	12,361,308.69			3,002,734.93	10,602,840.24	25,966,883.86
III. Provision for impairment						
1. Opening balance						
2. Increase during the current period						
(1) Provision						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance						
IV. Carrying value						
1. Closing carrying value	52,574,600.65			1,709,260.02	7,068,559.76	61,352,420.43
2. Opening carrying value	53,874,890.74			1,622,402.46	8,835,699.80	64,332,993.00

Proportion of intangible assets generated from the Company's internal research and development to the balance of intangible assets at the end of the period: 0.00%。

14. Goodwill

(1) Gross carrying amount of goodwill

In RMB

Name of investee or events giving rise to goodwill	Opening balance	Increase		Decrease		Closing balance
		Arising from business merger		Disposal		
Tuson Precision	9,903,454.24					9,903,454.24
Total	9,903,454.24					9,903,454.24

(2) Provision for impairment of goodwill

In RMB

Name of investee or events giving rise to goodwill	Opening balance	Increase		Decrease		Closing balance
		Provision		Disposal		

Tuson Precision	870,988.96	321,918.68				1,192,907.64
Total	870,988.96	321,918.68				1,192,907.64

(3) Information on cash-generating units or groups of cash-generating units containing goodwil

Name	Composition and basis of the cash-generating units or groups to which it belongs	Operating segment to which it belongs and basis	Whether consistent with prior years

Changes in cash-generating units or groups

Name	Composition before change	Composition after change	Objective facts and basis leading to the change

Other information

Goodwill includes RMB 7,793,181.88 of goodwill recognized as the difference between the merger cost on the acquisition date and the share of the fair value of the identifiable net assets of the combinee obtained in the merger, and RMB 2,110,272.36 of goodwill arising from the recognition of deferred tax liabilities due to the difference between the fair value and carrying value of the identifiable net assets of the combinee. For goodwill arising from the recognition of deferred tax liabilities, provision for impairment should be made when the deferred tax liabilities are reversed.

1) Information on cash-generating units containing goodwill

Composition of the cash-generating unit	Operating assets and liabilities of Tuson Precision
Carrying value of the cash-generating unit	121,270,957.76
Carrying value of goodwill allocated to the cash-generating unit and allocation method	The Company holds 51% equity interest in Tuson Precision. The carrying value of goodwill allocated to the cash-generating unit is RMB7,793,181.88 (excluding goodwill of RMB2,110,272.36 arising from recognition of deferred tax liabilities).
Carrying value of the cash-generating unit containing goodwill	136,551,706.54
Whether the cash-generating unit is consistent with that determined on the acquisition date or in prior years' goodwill impairment tests	Yes

2) Process, method and conclusion of goodwill impairment test

The recoverable amount of the cash-generating units or groups containing goodwill is calculated based on the present value of estimated future cash flows. The estimated cash flows are based on the five-year cash flow forecasts approved by the Company. The discount rate used in the cash flow forecasts is 9.97% (2023: 11.32%), and the earnings after the forecast period are assumed to remain at the 2029 level.

Other key data used in the impairment test include: estimated selling prices, sales volumes, production costs and other related expenses of products. The Company determines the above key data based on historical experience and forecasts of market development. The discount rate adopted by the Company is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the relevant cash-generating units.

According to the Valuation Report (Kun Yuan Ping Bao [2025] No. 233) issued by Kunyuan Assets Appraisal Co., Ltd. engaged by the Company, the recoverable amount of the cash-generating unit containing goodwill was RMB141,200,000.00, and the carrying amount was RMB136,551,706.54. No impairment loss on goodwill was recognized.

(4) Specific method for determining recoverable amount

Recoverable amount determined as fair value less costs of disposal

☐Applicable ☑N/A

Recoverable amount determined as the present value of estimated future cash flows

☑Applicable ☐N/A

In RMB

Item	Carrying value	Recoverable amount	Impairment amount	Forecast period (years)	Key parameters for forecast period	Key parameters for stable period	Basis for determining key parameters for stable period
Tuson Precision Machinery (Jiaxing) Co., Ltd. cash-generating unit	136,551,706.54	141,200,000.00	0.00	5	Revenue growth rate 2.97%-8.14%; Profit margin 7.13%-7.55%; Discount rate 9.97%	Revenue growth rate 0%; Profit margin 7.24%; Discount rate 9.97%	Determined based on historical experience and forecasts of market development
Total	136,551,706.54	141,200,000.00	0.00				

Reasons for significant inconsistencies between the aforementioned information and the information or external information used in prior years' impairment tests

Reasons for significant inconsistencies between the information used in the Company's prior years' impairment tests and the actual circumstances of the current year

(5) Completion of performance commitments and corresponding goodwill impairment

Performance commitments existed when goodwill was formed and the reporting period or the period immediately preceding the reporting period was within the performance commitment period

☐Applicable ☑N/A

Other information:

15. Long-term prepaid expenses

In RMB

Item	Opening balance	Increase during the current period	Amortization for the current period	Other decrease	Closing balance
Decoration expenses	595,515.42		426,792.82		168,722.60
Pollution discharge right usage fees	288,511.83		86,951.16		201,560.67
Software service fees	95,060.14		34,567.32		60,492.82
Online shop usage rights	30,000.00		18,000.00		12,000.00
Total	1,009,087.39		566,311.30		442,776.09

Other information:

16. Deferred tax assets / deferred tax liabilities

(1) Deferred tax assets not offset

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Unrealized profits on intragroup transactions	238,618.93	35,792.84	38,512.51	5,776.88
Deductible losses			2,229,371.56	334,405.73
Capitalized interest on convertible bonds	18,258,894.64	2,738,834.20	13,837,385.98	2,075,607.90
Provision for inventory write-down	12,772,090.76	2,418,179.75	11,331,096.66	1,699,664.50
Provision for bad debts on accounts receivable	8,128,636.13	1,452,533.43	6,349,948.88	952,492.33
Deferred income	4,538,503.67	802,902.55	4,403,083.75	660,462.56
Provision for impairment of contract assets	629,550.21	94,432.54	251,363.66	37,704.55
Total	44,566,294.34	7,542,675.31	38,440,763.00	5,766,114.45

(2) Deferred tax liabilities not offset

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Fair value adjustments on assets arising from business combinations not under common control	11,991,695.73	1,798,754.35	16,199,783.09	2,429,967.46
One-time pre-tax deduction for equipment	6,233,097.02	1,558,274.25	6,753,070.80	1,012,960.62
Total	18,224,792.75	3,357,028.60	22,952,853.89	3,442,928.08

(3) Deferred tax assets or deferred tax liabilities presented on a netting basis

In RMB

Item	Closing offset amount of deferred tax assets and liabilities	Closing balance of deferred tax assets or liabilities after offset	Opening offset amount of deferred tax assets and liabilities	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	1,558,274.25	5,984,401.06	1,012,960.62	4,753,153.83
Deferred tax liabilities	1,558,274.25	1,798,754.35	1,012,960.62	2,429,967.46

(4) Details of unrecognized deferred tax assets

In RMB

Item	Closing balance	Opening balance
Deductible losses	48,191,124.98	36,347,645.99
Provision for bad debts on other receivables	316,519.88	343,273.52
Provision for impairment of construction in progress	135,000.00	135,000.00
Total	48,642,644.86	36,825,919.51

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following year

In RMB

Year	Closing balance	Opening balance	Remark
2024		5,145.42	
2025	208,860.91	208,860.91	
2026	323,882.93	323,882.93	
2027	353,461.86	353,461.86	
2028	785,177.23	785,177.23	
2029	599,124.21		
2031	6,913,815.58	6,913,815.58	
2032	17,279,467.35	17,279,467.35	
2033	10,477,834.71	10,477,834.71	
2034	11,249,500.20		
Total	48,191,124.98	36,347,645.99	

Other information:

17. Other non-current assets

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Prepayments for acquisition of non-current assets	1,335,250.00		1,335,250.00	2,267,276.00		2,267,276.00
Total	1,335,250.00		1,335,250.00	2,267,276.00		2,267,276.00

Other information:

18. Assets with restricted ownership or use rights

In RMB

Item	Closing balance				Opening balance			
	Book balance	Carrying value	Type of restriction	Nature of restriction	Book balance	Carrying value	Type of restriction	Nature of restriction
Cash at bank and on	5,159,943.38	5,159,943.38	Pledge	Bank acceptance bill deposits	1,633,126.01	1,633,126.01	Pledge	Bank acceptance bill deposits
Financing receivables	6,430,221.69	6,430,221.69	Pledge	Bank acceptance bills pledged	4,305,389.86	4,305,389.86	Pledge	Bank acceptance bills pledged
Total	11,590,165.07	11,590,165.07			5,938,515.87	5,938,515.87		

Other information:

19. Short-term borrowings

(1) Category of short-term borrowings

In RMB

Item	Closing balance	Opening balance
Credit borrowings	30,000,000.00	42,000,000.00
Discounting of bank acceptance bills	15,000,000.00	
Interest payable on borrowings	2,000.00	34,268.06
Total	45,002,000.00	42,034,268.06

Description for categories of short-term borrowings:

20. Notes payable

In RMB

Category	Closing balance	Opening balance
Bank acceptance bills	10,827,634.74	4,918,057.11
Total	10,827,634.74	4,918,057.11

The total amount of notes payable that have matured but not yet been paid at the end of the current period is RMB0.00.

21. Accounts payables

(1) Presentation of Accounts payables

In RMB

Item	Closing balance	Opening balance
Materials payable	88,771,169.22	69,564,868.58
Construction payable	25,770,194.76	39,059,355.91
Transportation, energy costs, labor service fees, etc.	5,282,609.68	3,282,208.22
Equipment payable	649,750.00	1,742,298.23
Total	120,473,723.66	113,648,730.94

(2) Significant Accounts payables aged over one year or overdue

In RMB

Item	Closing balance	Reason for failure to be repaid or carried forward
Zhejiang Shuangyan Construction Co., Ltd.	8,156,345.68	Payment for main construction works of Hangzhou Bay headquarters plant, not yet settled
Jiaxing Hongguo Construction Co., Ltd.	6,782,802.79	Payment for main construction works of Tuson Precision Phase II plant, not yet settled
Total	14,939,148.47	

Other information:

22. Other payables

In RMB

Item	Closing balance	Opening balance
Other payables	6,770,681.75	13,351,192.96
Total	6,770,681.75	13,351,192.96

(1) Other payables

1) Other payables presented by nature

In RMB

Item	Closing balance	Opening balance
Repurchase obligation for restricted shares	6,277,472.00	12,554,944.00
Temporary receivables	136,737.78	521,432.69
Security deposit	42,000.00	192,000.00
Others	314,471.97	82,816.27
Total	6,770,681.75	13,351,192.96

2) Significant other payables aged over 1 year or overdue

In RMB

Item	Closing balance	Reason for failure to be repaid or carried forward

Repurchase obligation for restricted shares	6,277,472.00	The Company recognizes repurchase obligation for unvested restricted shares.
Total	6,277,472.00	

Other information:

23. Contract liabilities

In RMB

Item	Closing balance	Opening balance
Receipts in advance	843,005.28	367,687.57
Total	843,005.28	367,687.57

Significant contract liabilities aged over 1 year

In RMB

Item	Closing balance	Reasons for non-settlement or non-transfer

Amounts and reasons for significant changes in carrying value during the reporting period

In RMB

Item	Changes	Reason for changes

24. Employee benefits payable

(1) Presentation of employee benefits payable

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term benefits	12,932,232.88	83,059,571.95	85,557,781.62	10,434,023.21
II. Post-employment benefits-defined contribution plan	908,207.08	5,717,911.59	6,159,021.24	467,097.43
Total	13,840,439.96	88,777,483.54	91,716,802.86	10,901,120.64

(2) Presentation of short-term employee benefits

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	12,552,064.11	67,216,771.77	69,683,708.87	10,085,127.01
2. Employee welfare expenses		10,046,764.49	10,046,764.49	
3. Social security contributions	334,033.77	3,583,336.24	3,617,208.81	300,161.20
Incl.: Medical insurance	274,836.90	3,285,430.81	3,282,074.47	278,193.24
Work-related injuries insurance	59,196.87	297,905.43	335,134.34	21,967.96
4. Housing provident fund	46,135.00	2,032,447.00	2,029,847.00	48,735.00
5. Trade union fees and employee education expenses		180,252.45	180,252.45	

Total	12,932,232.88	83,059,571.95	85,557,781.62	10,434,023.21

(3) Presentation of defined contribution plans

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pensions	876,890.98	5,530,135.20	5,955,002.33	452,023.85
2. Unemployment insurance	31,316.10	187,776.39	204,018.91	15,073.58
Total	908,207.08	5,717,911.59	6,159,021.24	467,097.43

Other information:

25. Taxes payable

In RMB

Item	Closing balance	Opening balance
VAT	215,969.38	164,297.65
Enterprise income tax	1,270,360.03	3,150,991.43
Individual income tax	97,169.71	109,020.02
Urban maintenance and construction tax	203,827.52	108,693.51
Property tax	2,371,861.69	920,619.24
Land use tax	1,347,949.51	1,360,027.80
Education surcharges	87,354.65	49,628.19
Local education surcharges	58,236.43	33,085.45
Stamp duty	24,008.28	45,069.10
Total	5,676,737.20	5,941,432.39

Other information:

26. Non-current liabilities to be settled within one year

In RMB

Item	Closing balance	Opening balance
Interest on bonds payable due within one year	3,114,259.20	2,078,800.80
Total	3,114,259.20	2,078,800.80

Other information:

27. Other current liabilities

In RMB

Item	Closing balance	Opening balance
Output tax to be transferred	109,590.69	46,460.39
Total	109,590.69	46,460.39

Changes in short-term bonds payable:

Name of bond	Par value	Coupon rate	Issue date	Term of bond	Issue amount	Opening balance	Issue for the period	Interest accrued based on par value	Amortization of premiums or discounts	Repayment for the period		Closing balance	Whether in default
Total													

Other information:

28. Bonds payable

(1) Bonds payable

In RMB

Item	Closing balance	Opening balance
Convertible bonds	158,255,305.03	150,278,560.00
Total	158,255,305.03	150,278,560.00

(2) Changes in bonds payable (excluding preference shares, perpetual bonds and other financial instruments classified as financial liabilities)

In RMB

Name of bonds	Par value	Coupon rate	Issue date	Bond term	Issue amount	Opening balance	Issued during the current period	Interest accrued at par value	Amortization of premium/discount	Repaid during the current period	Decrease in par value due to conversion during the current period	Amortization of premium/discount transferred out due to conversion during the current period	Closing balance	Whether in default
Fenglong convertible bonds	100.00		20211/8	6 years	245, 000, 000. 00	150, 278, 560. 00		3,114,247.20	11,285,516.52		219, 000. 00	24,475.71	158, 255, 305. 03	No
Total	——				245, 000, 000. 00	150, 278, 560. 00		3,114,247.20	11,285,516.52		219, 000. 00	24,475.71	158, 255, 305. 03	——

(3) Description of convertible bonds

Upon approval from the China Securities Regulatory Commission in the Reply on Approval of Public Issuance of Convertible Bonds by Zhejiang Fenglong Electric Co., Ltd. (CSRC License [2020] No. 3335), the Company publicly issued convertible bonds with a par value of RMB245 million on January 8, 2021 (hereinafter referred to as the "convertible bonds"). The convertible bonds have a term of six years with interest paid annually. The principal and the interest for the final year will be repaid at maturity. The coupon rates are 0.5% for the first year, 0.7% for the second year, 1.2% for the third year, 1.8% for the fourth year, 2.5% for the fifth year and 3.0% for the sixth year. The conversion period commences from the first trading day six months after the completion of issuance and ends on the maturity date of the convertible bonds (i.e., from July 14, 2021 to January 7, 2027). The initial conversion price was RMB17.97 per share. In June 2021, as a result of the implementation of the Company's 2020 profit distribution plan, the conversion price was adjusted to RMB12.73 per share, and the adjusted conversion price became effective on June 8, 2021. In June 2022, as a result of the implementation of the Company's 2021 profit distribution plan, the conversion price was adjusted to RMB12.63 per share, and the adjusted conversion price became effective on June 29, 2022. In October 2024, as a result of the implementation of the Company's 2024 interim profit distribution plan, the conversion price was adjusted to RMB12.53 per share. The adjusted conversion price became effective from October 24, 2024.

29. Deferred income

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government grants	4,403,083.75	1,465,100.00	1,329,680.08	4,538,503.67	Government grants related to assets
Total	4,403,083.75	1,465,100.00	1,329,680.08	4,538,503.67	--

Other information:

30. Share capital

In RMB

	Opening balance	Increase or decrease (+, -)					Closing balance
		New shares	Bonus shares	Capitalization of capital reserve	Others	Sub-total	
Total shares	204,772,749.00				17,353.00	17,353.00	204,790,102.00

Other information:

During 2024, a total of 2,190 convertible bonds were converted into shares, resulting in an increase in capital of RMB17,353.

31 Other equity instruments

(1) Basic information on preference shares, perpetual bonds and other financial instruments outstanding at period end

Upon approval from the China Securities Regulatory Commission (CSRC License [2020] No. 3335), the Company publicly issued 2,450,000 convertible bonds with a par value of RMB100.00 each, issued at par value, for a total issue amount of RMB245,000,000.00. After deducting underwriting fees, sponsorship fees and other external expenses directly attributable to the issuance of convertible bonds, the net proceeds raised amounted to RMB238,321,574.46. The receipt of the above proceeds was verified by Pan-China Certified Public Accountants LLP and a capital verification report (Tian Jian Yan [2021] No. 10) was issued.

(2) Changes in preference shares, perpetual bonds and other financial instruments outstanding at period end

In RMB

Financial instruments outstanding	Opening		Increase		Decrease		Closing	
	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value
Convertible bonds	1,732,334.00	44,070,444.02			2,190.00	55,713.43	1,730,144.00	44,014,730.59
Total	1,732,334.00	44,070,444.02			2,190.00	55,713.43	1,730,144.00	44,014,730.59

Description of changes in other equity instruments during the current period, reasons for changes and basis for relevant accounting treatment:

The decrease during the current period was due to conversion of convertible bonds into shares.

Other information:

32. Capital reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (share capital premium)	202,564,691.11	6,083,303.34		208,647,994.45
Total	202,564,691.11	6,083,303.34		208,647,994.45

Other information, including changes and reasons therefor:

(1) The increase of RMB232,735.23 in share premium was due to the premium portion of the conversion of convertible corporate bonds being transferred to share premium.

(2) The increase of RMB5,850,568.11 in share premium was in accordance with the relevant provisions of the Administrative Measures for the First Phase Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd.:

① For the reserved portion for which no specific participants were designated, the corresponding reserved shares would not be granted, and the corresponding underlying shares would be sold by the management committee at an appropriate time after the expiration of the corresponding lock-up period. The proceeds obtained would belong to the Company. The Company shall, within the limit of such proceeds, return to Mr. Dong Jiangang, the nominee holder of the reserved shares, the original capital contribution plus annualized interest of 6% (calculated based on actual days). As the reserved portion (first batch) of 192,830 shares had no specific grantees designated, the management committee of the stock ownership plan sold such shares during the year. After returning the original capital contribution and interest to the nominee holder, the remaining proceeds of RMB1,504,096.69 were credited to capital reserve.

② If the Company's performance assessment targets for a lock-up period are not achieved, the proceeds from the sale of the underlying shares corresponding to the unvested portion of that period after the expiration of the lock-up period shall belong to the Company. The Company shall, within the limit of such proceeds, return to the holders the original capital contribution and bank deposit interest for the same period. If there are still proceeds after the return to the holders, such proceeds shall belong to the Company. The lock-up period for the second batch of shares under the Company's stock ownership plan expired on January 5, 2024, involving 954,023 shares, including 809,400 shares granted to incentive participants (second batch) and 144,623 shares of reserved portion (second batch). As the Company's performance did not meet the assessment criteria, the second batch of equity incentives could not be vested. The management committee of the stock ownership plan sold such shares during the year. After returning the original capital contributions and interest to the holders, the remaining proceeds of RMB4,346,471.42 were credited to capital reserve.

33. Treasury shares

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Restricted shares	12,554,944.00		6,277,472.00	6,277,472.00
Total	12,554,944.00		6,277,472.00	6,277,472.00

Other information, including changes and reasons therefor:

The lock-up period for the second batch of shares under the Company's stock ownership plan expired on January 5, 2024, involving 954,023 shares, including 809,400 shares granted to incentive participants and 144,623 shares of reserved portion, with a grant price of RMB6.58 per share, totaling RMB6,277,472.00. According to the relevant provisions of the Administrative Measures for the First Phase Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd., as the Company's performance did not meet the assessment criteria, the second batch of equity incentives could not be vested. Accordingly, both treasury shares and repurchase obligation payable were reduced by the same amount.

34. Other comprehensive income

In RMB

Item	Opening balance	Amount in the current period						Closing balance
		Amount before income tax for the current period	Less: Amount included in other comprehensive income for the prior periods and transferred to the profit or loss for the current period	Less: Amount included in other comprehensive income for the prior periods and transferred to the retained earnings for the current period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests after tax	

II. Other comprehensive income that will be reclassified to profit or loss	-447.50	165,241.79				165,241.79		164,794.29
Translation differences of financial statements denominated in foreign currencies	-447.50	165,241.79				165,241.79		164,794.29
Other comprehensive incomeTotal	-447.50	165,241.79				165,241.79		164,794.29

Other information, including adjustment of the effective part of the cash flow hedge gains and losses transferred to initially recognized amount of hedged items:

35. Surplus reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	27,186,161.35			27,186,161.35
Total	27,186,161.35			27,186,161.35

Descriptions of surplus reserve, including changes for the current period and reasons therefor:

36. Undistributed profit

In RMB

Item	Amount in the current period	Amount in the prior period
Adjusted opening undistributed profits	302,159,033.06	309,199,203.46
Add: Net profit attributable to owners of the parent company for the current period	4,592,919.05	-7,040,170.40
Dividends payable for ordinary shares	20,478,699.30	
Closing balance of undistributed profits	286,273,252.81	302,159,033.06

Details of adjustments to the opening balance of undistributed profits:
1) Effect on the opening balance of undistributed profits due to retrospective adjustment pursuant to the Accounting Standards for Business Enterprises and related new provisions: Nil.
2) Effect on the opening balance of undistributed profits due to changes in accounting policies: Nil.
3) Effect on the opening balance of undistributed profits due to the correction of material accounting errors: Nil.
4) Effect on the opening balance of undistributed profits due to changes in the scope of consolidation resulting from business merger involving entities under common control: Nil.
5) Effect on the opening balance of undistributed profits due to other adjustments: Nil.

37. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	475,323,460.71	382,012,305.30	431,534,701.84	350,924,120.54
Other business	3,366,261.26	2,238,934.54	1,795,702.35	1,224,895.39
Total	478,689,721.97	384,251,239.84	433,330,404.19	352,149,015.93

Is the lower of the audited net profit before and after deduction of non-recurring gain or loss negative?

☐Yes ☑No

Breakdown of operating revenue and operating costs:

In RMB

Category of contract	Segment 1		Segment 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Types of business								
Incl.:								
Garden machinery	180,994,289.13	142,388,458.12					180,994,289.13	142,388,458.12
Automotive parts	104,575,588.54	88,336,605.95					104,575,588.54	88,336,605.95
Hydraulic components	143,137,420.39	117,996,729.55					143,137,420.39	117,996,729.55
Others	49,982,423.91	35,529,446.22					49,982,423.91	35,529,446.22
By operating region								
Incl.:								
Domestic	292,120,555.07	238,910,163.02					292,120,555.07	238,910,163.02
Overseas	186,569,166.90	145,341,076.82					186,569,166.90	145,341,076.82
By market or customer type								
Incl.:								
By contract type								
Incl.:								
By transfer time of goods								
Incl.:								
Revenue recognized at a point in time	478,689,721.97	384,251,239.84					478,689,721.97	384,251,239.84
By term of contract								
Incl.:								
By sales channel								
Incl.:								
Total	478,689,721.97	384,251,239.84					478,689,721.97	384,251,239.84

Information related to performance obligations:

Item	Timing of satisfaction of performance obligations	Significant payment terms	Nature of goods the Company promises to transfer	Whether acting as principal	Amounts expected to be refunded to customers	Type of quality assurance provided by the Company and related obligations

Other information

Information related to the transaction price allocated to the outstanding performance obligations:

The revenue corresponding to performance obligations under contracts signed but not yet performed or not yet fully performed as at the end of the reporting period amounts to RMB0.00.

Information related to variable consideration in contracts:

Major contract modifications or significant adjustments to transaction prices

In RMB

Item	Accounting treatment	Amount of impact on revenue

Other information:

Revenue recognized during the current period that was included in the opening balance of contract liabilities amounted to RMB 263,383.14.

38. Taxes and surcharges

In RMB

Item	Amount in the current period	Amount in the prior period
Urban maintenance and construction tax	1,020,707.81	1,063,704.34
Education surcharges	454,045.86	537,877.06
Property tax	2,392,217.05	999,650.61
Land use tax	1,347,949.51	1,360,027.80
Vehicle and vessel tax	13,724.88	15,464.88
Stamp duty	330,708.51	265,877.57
Local education surcharges	302,697.24	348,361.63
Total	5,862,050.86	4,590,963.89

Other information:

39. Administrative expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	27,767,867.53	23,978,360.29
Depreciation and amortization	11,486,000.46	6,332,073.33
Agency and consulting fees	2,365,971.22	2,665,993.45
Transportation and travel expenses	2,353,253.16	2,314,511.54
Office expenses	1,818,479.31	1,223,211.53
Repair and renovation expenses	992,273.88	1,984,244.72
Business entertainment expenses	840,147.96	814,922.77
Share-based payment		-1,118,798.00
Others	1,976,111.92	2,140,794.66

Total	49,600,105.44	40,335,314.29

Other information:

40. Selling expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Business entertainment expenses	3,457,429.52	2,945,377.10
Employee benefits	3,269,178.15	3,554,473.98
Travel expenses	1,399,761.74	1,671,991.95
Business promotion expenses	327,665.87	194,444.17
Office expenses	236,295.38	176,688.46
Share-based payment		-134,320.00
Others	940,465.16	794,502.10
Total	9,630,795.82	9,203,157.76

Other information:

41. Research and development expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	15,329,797.98	17,354,036.86
Direct materials	7,628,194.70	7,707,295.96
Depreciation and amortization	2,368,749.25	2,500,023.57
Utilities	684,683.75	793,754.04
Certification fees	175,574.55	243,802.31
Share-based payment		-940,532.00
Others	208,312.79	431,120.22
Total	26,395,313.02	28,089,500.96

Other information:

42. Financial expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Interest expense	3,657,447.74	4,072,590.17
Interest income	-1,949,205.00	-1,657,585.34
Foreign exchange gains and losses	-852,530.20	-2,196,321.32
Charges	114,746.75	110,192.44
Total	970,459.29	328,875.95

Other information:

43. Other income

In RMB

Source of other income	Amount in the current period	Amount in the prior period
Government grants related to income	2,938,819.22	2,403,338.22
Government grants related to assets	1,329,680.08	1,336,617.58
Additional deduction for VAT	2,216,353.15	1,460,317.16
Refund of service fees of withholding individual income tax	24,033.24	36,406.37
Total	6,508,885.69	5,236,679.33

44. Gains from changes in fair value

In RMB

Sources of gains from changes in fair value	Amount in the current period	Amount in the prior period
Financial assets held for trading		-52,377.66
Incl.: Gains from changes in fair value arising from derivative financial instruments		-52,377.66
Total		-52,377.66

Other information:

45. Investment income

In RMB

Item	Amount in the current period	Amount in the prior period
Income from long-term equity investments under equity method		-657,654.90
Investment income from disposal of long-term equity investments		-81,575.36
Investment income from disposal of Financial assets held for trading		628,832.50
Income from wealth management products	1,217,328.71	1,991,831.63
Interest on bill discounting	-4,048.32	-60,001.48
Total	1,213,280.39	1,821,432.39

Other information:

46. Impairment losses of credit

In RMB

Item	Amount in the current period	Amount in the prior period
Bad debt losses of accounts receivable	-1,778,687.25	-125,606.33
Bad debt losses of other receivables	26,753.64	-245,918.86
Total	-1,751,933.61	-371,525.19

Other information:

47. Impairment losses of assets

In RMB

Item	Amount in the current period	Amount in the prior period
I. Loss on inventory write-down and impairment loss on costs to fulfill a contract	-4,250,958.41	-7,642,525.80
X. Impairment losses of goodwill	-321,918.68	-176,731.47
XI. Impairment losses of contractual assets	-378,186.55	44,721.34
Total	-4,951,063.64	-7,774,535.93

Other information:

48. Income from disposal of assets

In RMB

Source of income from disposal of assets	Amount in the current period	Amount in the prior period
Income from disposal of fixed assets	2,523,711.02	-219,328.27
Total	2,523,711.02	-219,328.27

49. Non-operating revenues

In RMB

Item	Amount in the current period	Amount in the prior period	Amount included in the non-recurring gain or loss for the current period
Payment not to be made	65,902.50	77,247.60	65,902.50
Others	599.62	1,436.11	599.62
Total	66,502.12	78,683.71	66,502.12

Other information:

50. Non-operating expenses

In RMB

Item	Amount in the current period	Amount in the prior period	Amount included in the non-recurring gain or loss for the current period
External donations	180,000.00	100,000.00	180,000.00
Late payment surcharge	151,126.59	131,160.04	151,126.59
Others	14.26	2,383.63	14.26
Total	331,140.85	233,543.67	331,140.85

Other information:

51. Income tax expenses

(1) Table of income tax expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Current income tax expenses	2,527,540.11	3,441,714.29
Deferred income tax expenses	-1,862,460.34	717,516.23
Total	665,079.77	4,159,230.52

(2) Reconciliation of income tax expenses to the accounting profit

In RMB

Item	Amount in the current period
Total profit	5,257,998.82
Income tax expense calculated based on statutory/applicable tax rate	1,314,499.71
Impact of different tax rates applicable to subsidiaries	-1,091,500.42
Impact of adjustments to income tax of prior periods	280,010.00
Effect of non-deductible cost, expense and loss	3,212,001.63
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	1,683,411.98
Additional deduction for research and development expenses	-4,553,786.84
Changes in opening balance of deferred income tax due to tax rate adjustments	-179,556.29
Income tax expenses	665,079.77

Other information:

52. Other comprehensive income

See Note 34.

53. Items of the cash flow statement

(1) Cash related to operating activities

Other cash receipts relating to operating activities

In RMB

Item	Amount in the current period	Amount in the prior period
Refund of margin for bank acceptance bills	15,988,652.03	16,955,834.03
Government grants	4,403,919.22	4,813,538.22
Interest income received from bank deposits	2,187,712.71	2,115,852.75
Deposits received	10,000.00	516,050.00
Other	126,262.70	37,840.48
Total	22,716,546.66	24,439,115.48

Description of other cash receipts relating to operating activities:

Other cash paid relating to operating activities

In RMB

Item	Amount in the current period	Amount in the prior period
Bill deposits and others paid	19,515,469.40	14,720,065.05
Other operating and administrative expenses paid	17,751,805.26	15,954,180.81
Deposits paid	152,100.00	191,750.00
Other operating-related payments, net	472,933.51	416,149.68
Total	37,892,308.17	31,282,145.54

Description of other cash paid relating to operating activities:

(2) Cash relating to investing activities

Other cash received relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period

Significant other cash received relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Redemption of wealth management products	1,199,691,000.00	932,111,000.00
Disposal of associates		19,816,154.55
Total	1,199,691,000.00	951,927,154.55

Description of other cash received relating to investing activities:

Other cash paid relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Performance completion compensation payment		4,500,000.00
Total		4,500,000.00

Significant other cash paid relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Purchase of equipment, intangible assets, renovation expenses, etc.	40,175,962.30	63,423,051.26
Purchase of wealth management products	1,173,499,000.00	937,354,000.00
Total	1,213,674,962.30	1,000,777,051.26

Description of other cash paid relating to investing activities:

(3) Cash relating to financing activities

Other cash received relating to financing activities

In RMB

Item	Amount in the current period	Amount in the prior period

Gains from disposal of shares under employee stock ownership plan	5,850,568.11	
Total	5,850,568.11	

Description of other cash received relating to financing activities:

Other cash paid relating to financing activities

In RMB

Item	Amount in the current period	Amount in the prior period

Description of other cash paid relating to financing activities:

Changes in liabilities arising from financing activities

☑Applicable ☐N/A

In RMB

Item	Opening balance	Increase		Decrease		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	42,034,268.06	88,748,110.50	1,354,281.10	87,134,659.66		45,002,000.00
Bonds payable	150,278,560.00		7,976,745.03			158,255,305. 03
Non-current liabilities to be settled within one year	2,078,800.80		3,114,247.20	2,078,788.80		3,114,259.20
Total	194,391,628. 86	88,748,110.50	12,445,273.33	89,213,448.46		206,371,564. 23

54. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

In RMB

Supplementary information	Amount in the current period	Amount in the prior period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	4,592,919.05	-7,040,170.40
Add: Provision for asset impairment	6,702,997.25	8,146,061.12
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	33,844,435.67	26,864,412.81
Depreciation of right-of-use assets		
Amortization of intangible assets	3,374,536.72	3,447,916.93
Amortization of long-term prepaid expenses	566,311.30	1,132,189.63
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "－")	-2,523,711.02	219,328.27
Losses on retirement of fixed assets (gains are indicated by "－")		
Losses from changes in fair value (gains are indicated by "-")		52,377.66

Financial expenses (gains are indicated by “－”)	2,804,917.54	1,876,268.85
Investment losses (gains are indicated by “—”)	-1,217,328.71	-1,881,433.87
Decrease in deferred tax assets (increase is indicated by “—”)	-1,231,247.23	2,648,902.39
Increase in deferred tax liabilities (decrease is indicated by “—”)	-631,213.11	-1,931,386.16
Decrease in inventories (increase is indicated by “—”)	-5,800,333.70	32,715,037.14
Decrease in receivables from operating activities (increase is indicated by “—”)	-31,424,719.87	-1,579,505.29
Increase in payables from operating activities (decrease is indicated by “—”)	27,422,013.03	10,146,368.99
Others		-2,275,410.00
Net cash flows from operating activities	36,479,576.92	72,540,958.07
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within 1 year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	157,826,342.65	142,521,631.80
Less: Opening balance of cash	142,521,631.80	164,537,128.22
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	15,304,710.85	-22,015,496.42

(2) Composition of cash and cash equivalents

In RMB

Item	Closing balance	Opening balance
I. Cash	157,826,342.65	142,521,631.80
Incl.: Cash on hand	73,989.34	50,360.15
Bank deposit that can be paid at any time	157,748,202.35	142,469,184.39
Other monetary funds that can be paid at any time	4,150.96	2,087.26
III. Closing balance of cash and cash equivalents	157,826,342.65	142,521,631.80

(3) Cash at bank and on that are not classified as cash and cash equivalents

In RMB

Item	Amount in the current period	Amount in the prior period	Reasons for not being classified as cash and cash equivalents
Other Cash at bank and on	5,159,943.38	1,633,126.01	Bank acceptance bill deposits

Total	5,159,943.38	1,633,126.01	

Other information:

Commercial bills endorsed and transferred without involving cash receipts and payments

Item	Amount in the current period	Amount in the prior period
Amount of commercial bills endorsed and transferred	25,390,428.27	6,868,837.35
Incl.: Payment for goods	25,240,380.14	6,260,837.35
Payment for acquisition of fixed assets and other long-term assets	150,048.13	608,000.00

55. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

In RMB

Item	Closing balance of foreign currency	Exchange rate	Translated balance in RMB at the end of the period
Cash at bank and on			61,899,128.33
Incl.: USD	6,662,962.66	7.1884	47,896,040.79
EUR	1,597,456.15	7.5257	12,021,975.75
HKD			
JPY	42,850,600.00	0.0462	1,981,111.79
accounts receivable			49,842,259.36
Incl.: USD	5,153,708.68	7.1884	37,046,919.48
EUR	1,098,541.60	7.5257	8,267,294.52
HKD			
JPY	97,939,682.82	0.0462	4,528,045.36
Long-term borrowings			
Incl.: USD			
EUR			
HKD			
Accounts payables			334,671.28
Incl.: USD	28,860.00	7.1884	207,457.22
EUR	16,903.95	7.5257	127,214.06

Other information:

(2) Descriptions of overseas operating entities, including disclosure of the main overseas business locations, functional currency and the basis for selection of important overseas operating entities, and the reasons for changes in functional currency (if any).

☑Applicable ☐N/A

Fenglong Hong Kong's principal place of business is Hong Kong. Based on the currency in the primary economic environment in which it operates, US dollars is selected as its functional currency.

56. Leases

(1) The Company as lessee

☑Applicable ☐N/A

Variable lease payments not included in the measurement of lease liabilities

☐Applicable ☑N/A

Lease expenses for short-term leases or leases of low-value assets using simplified treatment

☑Applicable ☐N/A

The Company's accounting policies for short-term leases and leases of low-value assets are detailed in Note V.28 of this financial report. The amounts of short-term lease expenses and low-value asset lease expenses recognized in profit or loss for the current period are as follows:

Item	Amount in the current period	Amount in the prior period
Short-term lease expenses	432,644.33	681,940.41
Total	432,644.33	681,940.41

Lease-related profit or loss and cash flows for the current period

Item	Amount in the current period	Amount in the prior period
Total cash outflows related to leases	415,378.07	681,940.41

Matters relating to sale and leaseback transactions:

N/A.

VIII. Research and Development Expenditure

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	15,329,797.98	17,354,036.86
Direct materials	7,628,194.70	7,707,295.96
Depreciation and amortization	2,368,749.25	2,500,023.57
Utilities	684,683.75	793,754.04
Certification fees	175,574.55	243,802.31
Share-based payment		-940,532.00
Other	208,312.79	431,120.22
Total	26,395,313.02	28,089,500.96
Incl: Research and development expenditure expensed	26,395,313.02	28,089,500.96

IX. Changes in scope of consolidation

1. Changes in scope of consolidation due to other reasons

Description of changes in scope of consolidation due to other reasons (such as establishment of new subsidiaries, liquidation of subsidiaries, etc.) and related circumstances:

(1) Additions to scope of consolidation

Company name	Method of acquisition	Date of acquisition	Registered capital	Equity interest (%)	Actual capital contribution
Maisheng Machinery	Incorporation	October 23, 2024	30,243,200.00	100.00	4,815,035.47
Yichuang Technology	Incorporation	October 30, 2024	40,484,200.00	100.00	

(2) Disposals from scope of consolidation

Company name	Method of disposal	Date of disposal	Net assets at disposal date	Net profit from beginning of year to disposal date
Zhejiang Fenglan Intelligent Manufacturing Co., Ltd.[Note]	Deregistration	May 17, 2024		

[Note] Zhejiang Fenglan Intelligent Manufacturing Co., Ltd. did not commence business operations.

X. Interests in Other Entities

1. Interests in subsidiaries

(1) Composition of enterprise group

In RMB

Name of subsidiary	Registered capital	Main business place	Registered address	Nature of business	Shareholding ratio		Method of acquisition
					Direct	Indirect	
Haolong Electric	7,800,000. 00[1]	Shaoxing	Shaoxing	Automotive parts manufacturing	62.03%	37.97%	Business merger involving entities under common control
Yichuang Technology[2]	40,484,200.00	Shaoxing	Shaoxing	Automotive parts manufacturing		100.00%	Establishment
Tuson Precision	190,866,828.68	Jiaxing	Jiaxing	Electromechanical manufacturing	100.00%		Business merger involving entities not under common control
Fenglong Technology [3]	19,246,584.00	Shaoxing	Shaoxing	Electromechanical manufacturing	100.00%		Business merger involving entities not under common control
Hangzhou Fenglong	10,000,000.00	Hangzhou	Hangzhou	Research and development and services	100.00%		Establishment
Fenglong Hong Kong	4,900,000. 00[4]	New Territories, Hong Kong	New Territories, Hong Kong	Investment management	100.00%		Establishment
Maisheng Machinery	30,243,200.00	Shaoxing	Shaoxing	Electromechanical manufacturing	100.00%		Establishment

Notes: 1 Currency is USD

2 Haolong Electric has not yet made capital contribution to Yichuang Technology, and Yichuang Technology has not commenced business operations

3 Fenglong Technology was formerly Shaoxing Yicheng Motor Co., Ltd., in which the Company directly held 70.00% equity interest and indirectly held 30.00% equity interest through Fenglong Hong Kong. Following the restructuring of the Company's equity structure in 2024, the Company directly holds 100.00% equity interest

4 Currency is USD

Descriptions of the difference between the shareholding ratio and the proportion of voting rights in a subsidiary:
N/A.

Basis for holding half of the voting rights or below but still controlling the investee, and holding over half of the voting rights but having no control over the investee:
N/A.
Basis for controls over significant structured entities included in consolidation scope:
N/A.
Basis for determining the Company as the agent or the principal:
N/A.

Other information:

XI. Government grants

1. Government grants recognized based on receivable amounts at the end of the reporting period

☐Applicable ☑N/A
Reasons for failure to receive the expected amount of government grants at the expected time
☐Applicable ☑N/A

2. Liabilities relating to government grants

☑Applicable ☐N/A

In RMB

Item	Opening balance	New grants in the current period	Amount recognized in non-operating income in the current period	Amount transferred to other income in the current period	Other changes in the current period	Closing balance	Asset-related/income-related
Deferred income	4,403,083. 75	1,465,100. 00		1,329,680. 08		4,538,503. 67	Asset-related

3. Government grants recognized in profit or loss for the current period

☑Applicable ☐N/A

In RMB

Item	Amount in the current period	Amount in the prior period
Other income	4,268,499.30	3,739,955.80

Other information:

XII. Risks Related to Financial Instruments

1. Risks arising from financial instruments

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyze its exposure to various risks, establish an appropriate risk tolerance limits, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The Company is exposed to various risks associated with financial instruments in its daily routines, primarily including credit risk, liquidity risk and market risk. The management has reviewed and approved policies to manage these risks, summarized as below.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instrument will default on its obligations resulting in financial loss to the counterparty.

1. Management of credit risk

(1) Methods of credit risk assessment

The Company assesses at each balance sheet date whether the credit risk of the underlying financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk ratings and forward-looking information. The Company compares the risk of a default occurring on a financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or a group of financial instruments with similar credit risk characteristic, to determine the change of the risk of a default occurring on a financial instrument over the expected life.

The Company considers the credit risk of financial instruments has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion primarily refers to a certain percentage of increase in the probability of default over the remaining life of the financial instruments as of the balance sheet date when comparing with that at initial recognition of the financial instruments;

2) The qualitative criteria include, inter alia, adverse material changes in business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations, and an actual or expected significant adverse change in the technological, market, economic, or legal environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(2) Definition of defaulted or credit-impaired assets

A financial asset is defined as defaulted when the financial instrument meets one or more conditions stated as below, and the criteria of defining defaulted asset is consistent with that of defining credit-impaired asset:

1) significant financial difficulty of the debtor;

2) a breach of contract terms with binding force by the debtor;

3) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;

4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider.

2. Measurement of expected credit loss ("ECL")

Key parameters to measure ECL include the probability of default, loss given default and the exposure at default. The Company established models of the probability of default, loss given default and the exposure at default on the basis of quantitative analysis on historical statistical data (such as counterparty ranking, guarantee methods, collateral category, and repayment way) and forward-looking information.

3. Details of reconciliation of the opening balance and the closing balance of provision for impairment of financial instruments can be referred to in Note VII. 3, 4, 5, 6, 7 to the financial statements hereof.

4. Credit risk exposure and credit risk concentration

The Company's credit risk is primarily from Cash at bank and on and receivables. In order to control the risks associated with aforementioned items, the Company has taken the following measures.

(1) Cash at bank and on

The credit risk of the Company is limited because the Company has deposited bank deposits and other monetary funds in banks with high credit ratings.

(2) Accounts receivable and contract assets

The Company regularly evaluates the creditworthiness of its customers with deals on credit, and selects to deal with approved and creditworthy customers subject to the results of the credit assessment with monitoring the balance of its receivables, so as to ensure that the Company is not exposed to significant risk of bad debt.

No collateral is required since the Company only deals with third parties that are approved and creditworthy. The concentrated credit risks are managed by customers. As of December 31, 2024, the Company is exposed to certain concentration of credit risks, as the Company's accounts receivable and contract assets from top 5 customers have accounted for 45.79% of the total balance of Accounts receivable (December 31, 2023: 47.17%). The Company held no collateral or other credit ranking measures for the balance of accounts receivable and contract assets.

The maximum exposure to the Company is the carrying value of each financial asset in the balance sheet.

(II) Liquidity risk

Liquidity risk refers to the risk that the Company is in shortage of funds in performing obligations that are settled by delivering cash or another financial asset. Liquidity risk may arise from the inability to sell financial assets at fair value quickly enough; or from the counterparty's inability to repay its contractual debts; or from debts maturing earlier than expected; or from the inability to generate expected cash flows.

In order to control this risk, the Company balances the continuity and flexibility of financing by using various financing measures such as notes settlement and bank borrowings comprehensively and adopting both long-term and short-term financing methods to optimize the financing structure. The Company has received credit facilities from a number of commercial banks to satisfy its working capital requirements and capital expenditures.

Financial liabilities classified by remaining maturity

Item	Closing balance				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	45,002,000.00	45,582,000.00	45,582,000.00		
Notes payable	10,827,634.74	10,827,634.74	10,827,634.74		
Accounts payables	120,473,723.66	120,473,723.66	120,473,723.66		
Other payables	6,770,681.75	6,770,681.75	6,770,681.75		
Non-current liabilities to be settled within one year	3,114,259.20	3,114,259.20	3,114,259.20		
Bonds payable	158,255,305.03	182,530,192.00		182,530,192.00	
Sub-total	344,443,604.38	369,298,491.35	186,768,299.35	182,530,192.00	

(Continued)

Item	Balance at the end of prior year				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	42,034,268.06	43,209,513.89	43,209,513.89		
Notes payable	4,918,057.11	4,918,057.11	4,918,057.11		
Accounts payables	113,648,730.94	113,648,730.94	113,648,730.94		
Other payables	13,351,192.96	13,351,192.96	13,351,192.96		
Non-current liabilities to be settled within one year	2,078,800.80	2,078,800.80	2,078,800.80		
Bonds payable	150,278,560.00	185,879,438.20		7,449,036.20	178,430,402.00
Sub-total	326,309,609.87	363,085,733.90	177,206,295.70	7,449,036.20	178,430,402.00

(III) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate interest-bearing financial instruments expose the Company to fair value interest rate risk, while floating-rate interest-bearing financial instruments expose the Company to cash flow interest rate risk. The Company decides on the proportion of fixed-rate and floating-rate financial instruments based on market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

2. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The foreign exchange risk faced by the Company mainly relates to the Company's foreign currency monetary assets and liabilities. For foreign currency assets and liabilities, if short-term imbalances occur, the Company will buy and sell foreign currencies at market exchange rates when necessary to ensure that the net risk exposure is maintained at an acceptable level.

For details of the Company's foreign currency monetary assets and liabilities at period end, please refer to Note VII.55 to these financial statements.

XIII. Disclosure of Fair Value

1. Closing balance of the fair value of assets and liabilities measured at fair value

In RMB

Item	Closing balance of fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading			107,050,000.00	107,050,000.00
1. Financial assets at fair value through profit or loss			107,050,000.00	107,050,000.00
Wealth management products			107,050,000.00	107,050,000.00
(II) Finance lease receivables			24,768,989.48	24,768,989.48
Total assets measured at fair value on a recurring basis			131,818,989.48	131,818,989.48
II. Non-continuous fair value measurement	--	--	--	--

2. Valuation techniques and qualitative and quantitative information of key parameters for items subject to continuous and non-continuous fair value measurements within Level 3

The trading financial assets measured at Level 3 fair value held by the Company are wealth management products. Due to the short holding period, the Company determines their fair value based on cost.

The Financing receivables measured at Level 3 fair value held by the Company are bank acceptance bills receivable. Given their low credit risk and short remaining maturity, the Company determines their fair value based on their carrying amount.

XIV. Related Parties and Related-party Transactions

1. Parent company of the Company

Name of the parent company	Registered address	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent company (%)	Proportion of the Company's voting right held by the parent company (%)
Zhejiang Chengfeng Investment Co., Ltd. (hereinafter referred to as "Chengfeng Investment")	Ningbo	Investment activities	RMB50 million	42.13%	42.13%

Descriptions of the Company's parent company

The ultimate controlling party of the Company is Dong Jiangang.

Other information:

2. Subsidiaries of the Company

For details of the Company's subsidiaries, please refer to the disclosure on interests in other entities in the notes to the financial statements.

3. Other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company
Zhejiang Fulaite New Materials Co., Ltd.	A controlled subsidiary of Chengfeng Investment
Shaoxing Shangyu Fenglong Yuanzhi Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Yuanzhi Partnership")	Former associate, deregistered in June 2023
Ningbo Delin Machinery Co., Ltd. (hereinafter referred to as "Ningbo Delin")	An entity in which Yuanzhi Partnership previously held 21.90% equity interest
Wang Siyuan	Key management personnel of the Company
Xia Huanqiang	Key management personnel of the Company

Other information:

On March 20, 2023, Yuanzhi Partnership disposed of all its equity interest in Ningbo Delin. Therefore, Ningbo Delin ceased to be a related party of the Company from April 2024 onwards.

4. Related-party transactions

(1) Sales and purchase of goods, and rendering and receipt of services

Statement of purchase of goods/receipt of services

In RMB

Related party	Details of related-party transactions	Amount in the current period	Approved transaction limit	Whether the approved transaction limit was exceeded	Amount in the prior period
Zhejiang Fulaite New Materials Co., Ltd.	Surface treatment and other processing services	5,370,664.14	5,300,000.00	Yes	5,010,875.18

Statement of sales of goods/rendering of services

In RMB

Related party	Details of related-party transactions	Amount in the current period	Amount in the prior period
Ningbo Delin [1]	Circuit boards and other components	15,789.50	576,866.42

Note: 1 Ningbo Delin ceased to be a related party of the Company from April 2024 onwards. The amount for the current period represents the transaction amount for January to March 2024.

Details of related party transactions in respect of purchase and sale of goods and provision and receipt of services

(2) Related party guarantees

The Company as guarantor

In RMB

Guaranteed party	Guarantee amount	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been discharged

The Company as guaranteed party

In RMB

Guarantor	Guarantee amount	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been discharged

Details of related party guarantees

Chengfeng Investment provided a guarantee with 31,000,000 shares of the Company held by it for the Company's convertible bonds. Please refer to the description in Note XVIII2.

(3) Asset transfers and debt restructuring with related parties

In RMB

Related party	Details of related-party transactions	Amount in the current period	Amount in the prior period
Wang Siyuan	Motor vehicles	14,030.98	
Xia Huanqiang	Motor vehicles	12,746.60	

(4) Compensation for key officers

In RMB

Item	Amount in the current period	Amount in the prior period
Compensation for key officers	2,395,186.07	2,565,747.25
Non-monetary benefits	156,818.31	

5. Receivables from and payables to related parties

(1) Accounts receivable

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Provisions for bad debts	Book balance	Provisions for bad debts
Accounts receivable	Ningbo Delin Machinery Co., Ltd.			14,202.88	710.14
Prepayments	Zhejiang Fulaite New Materials Co., Ltd.	355,270.46		57,177.66	

XV. Share-based payment

1. Overall information on share-based payment

☑Applicable ☐N/A

In RMB

Category of grantees	Granted		Exercised		Unlocked		Lapsed	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Management personnel							445,750	2,933,035.00
Research and development personnel							277,100	1,823,318.00
Sales personnel							54,450	358,281.00
Production personnel							32,100	211,218.00
Reserved portion							144,623	951,620.00
Total							954,023	6,277,472.00

Stock options or other equity instruments outstanding at the end of the period

☐Applicable ☑N/A

Other information:

2. Equity-settled share-based payment

☑Applicable ☐N/A

In RMB

Method for determining fair value of equity instruments at grant date	Closing price of shares
Significant parameters for fair value of equity instruments at grant date	RMB 15.34 per share
Basis for determining the number of equity instruments expected to vest	Confirmed based on the number that employees can vest during the service period
Reasons for significant differences between current and prior period estimates	None, estimated based on failure to meet performance assessment criteria
Cumulative amount of equity-settled share-based payment recognized in capital reserve	9,453,792.00
Total expenses recognized for equity-settled share-based payment during the current period	0.00

Other information:

According to the resolution of the Fourth Extraordinary General Meeting of Shareholders in 2021 and other relevant documents, the Company granted 3,180,077 restricted shares (including the reserved portion and reserved shares held on behalf, the same below) to 65 grantees including Wang Siyuan, at a grant price of RMB6.58 per share. All the restricted shares granted were sourced from treasury shares (A ordinary shares of the Company repurchased from the secondary market), of which the reserved portion amounted to 482,077 shares.

According to the Administrative Measures for the First Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd., the underlying shares acquired by the employee stock ownership plan through non-trade transfer and other methods permitted by laws and regulations shall be unlocked in three batches 12 months after the date when the employee stock ownership plan is approved by the general meeting of shareholders of the Company and the Company announces the transfer of the underlying shares to the employee stock ownership plan, subject to satisfaction of the following conditions:

(1) Time criteria

Unlock arrangement	Unlock date	Unlock proportion
First batch unlock date	12 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	40%
Second batch unlock date	24 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	30%
Third batch unlock date	36 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	30%

(2) Performance assessment criteria

Unlock arrangement	Performance assessment targets
First batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2021 shall be not less than 20%, or the net profit growth rate for 2021 shall be not less than 20%
Second batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2022 shall be not less than 40%, or the net profit growth rate for 2022 shall be not less than 40%
Third batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2023 shall be not less than 60%, or the net profit growth rate for 2023 shall be not less than 60%

(3) Individual performance assessment

The employee stock ownership plan will conduct performance assessment on individuals in accordance with the Company's relevant performance assessment system, and determine the final number of underlying shares to be unlocked by holders based on individual performance assessment results as follows:

Individual performance assessment results	80 (inclusive) - 100 points	60 (inclusive) - 80 points	Below 60 points
Corresponding individual unlock proportion	100%	60%	0%

The above share-based payment needs to be amortized in phases during the vesting period. The Fourth Extraordinary General Meeting of Shareholders in 2021 held on November 15, 2021 approved the employee stock ownership plan, and the date when the general meeting of shareholders passed the resolution is confirmed as the grant date. The period after the grant date is the vesting period. For simplification, the period from December 2021 to December 2024 is confirmed as the vesting period. The closing price of RMB15.34 on the grant date is taken as the fair market value. Employees of the Company purchase shares at prices lower than the fair market value. Due to the existence of the vesting period, the incentive cost will be recognized as costs and expenses in phases during the vesting period (from the grant date to the vesting date).

As the Company's actual performance in 2022 and 2023 did not meet the assessment criteria, the second batch and third batch of equity incentives could not be vested. The amounts to be recognized in costs and expenses during the vesting period are as follows:

Item	2021	2022	2023	2024
Share-based payment	1,280,201.00	10,449,001.00	-2,275,410.00	

The lock-up period for the second batch of shares under the Company's stock ownership plan expired on January 5, 2024, involving 954,023 shares, including 809,400 shares granted to incentive participants and 144,623 shares of reserved portion. As the Company's performance did not meet the assessment criteria, such equity incentive shares lapsed.

3. Share-based payment expenses for the current period

☐Applicable ☑N/A

XVI. Commitments and Contingencies

1. Significant commitments

As of December 31, 2024, the actual investment of proceeds from the Company's public issuance of convertible bonds is as follows:

In RMB0'000

Committed investment project	Total project investment	Total committed investment from proceeds	Actual cumulative investment from proceeds
Project for production of 3.25 million sets of hydraulic components per annum	21,927.34	18,832.16	11,235.77
Replenishment of working capital	5,000.00	5,000.00	5,000.00
Sub-total	26,927.34	23,832.16	16,235.77

2. Contingencies

(1) The Company shall also disclose if there are no significant contingencies requiring disclosure

The Company has no significant contingencies requiring disclosure.

XVII. Events Subsequent to the Balance Sheet Date

1. Profit distribution

Profit distribution plan	According to the resolution of the 26th meeting of the third session of the Board of Directors held on April 25, 2025, the Company resolved, based on the total share capital of 218,505,856 shares, to distribute a cash dividend of RMB0.50 (tax inclusive) per 10 shares to all shareholders, totaling RMB10,925,292.80 (tax inclusive) in aggregate. The above matter requires further approval by the Company's 2024 annual general meeting of shareholders before implementation.

2. Description of other events subsequent to the balance sheet date

(1) Redemption of convertible bonds

Pursuant to the resolution of the 23rd meeting of the third session of the Board of Directors held on February 11, 2025, from December 30, 2024 to February 11, 2025, the closing price of the Company's shares exceeded 130% (RMB16.289 per share) of the then prevailing conversion price (RMB12.53 per share) for at least 15 out of any consecutive 30 trading days. In accordance with the provisions of the Prospectus for the Public Offering of Convertible Corporate Bonds of Zhejiang Fenglong Electric Co., Ltd., the "conditional redemption clause" of "Fenglong Convertible Bonds" was triggered. The redemption price was RMB100.38 per bond (including accrued interest; the current period being the 5th year with an annual interest rate of 2.5%). As at March 13, 2025, all "Fenglong Convertible Bonds" had been redeemed and delisted from the Shenzhen Stock Exchange. The bondholders converted a total of 1,718,660 convertible bonds into shares, increasing the Company's share capital by RMB13,715,754 and capital reserve by RMB189,173,274.64. The Company redeemed 11,484 convertible bonds with a total redemption amount of RMB1,152,763.92.

(2) Disposal of shares under employee stock ownership plan

The lock-up period for the third batch of shares under the Company's stock ownership plan expired on January 5, 2025, involving 954,024 shares, including 809,400 shares granted to incentive participants and 144,624 shares of reserved portion. In accordance with the relevant provisions of the Administrative Measures for the First Phase Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd., as the Company's performance did not meet the assessment criteria, the third batch of equity incentives could not be vested. The management committee of the stock ownership plan sold such shares before January 7, 2025. After returning the original capital contributions and interest to the holders, the remaining proceeds of RMB9,619,383.89 were credited to capital reserve.

XVIII. Other Significant Events

1. Segment information

(1) If the Company has no reportable segments, or cannot disclose the total assets and total liabilities of each reportable segment, the reasons shall be stated

The Company's principal business is the production and sale of key parts for garden machinery, automobile parts and hydraulic parts. The Company manages this business as a whole and evaluates its operating results. Therefore, the Company is not required to disclose segment information. The Company's operating revenue and operating costs classified by product and region are detailed in Note VII.37 to these financial statements.

2. Other significant transactions and matters that have an impact on investors' decisions

As of December 31, 2024, the share pledges of the Company's major shareholders and senior management are as follows:

Name of shareholder	Number of shares held at period end	Number of shares pledged at period end	Pledge ratio	Purpose of pledge
Chengfeng Investment	86,279,289	31,000,000	35.93%	Guarantee for convertible bonds
Sub-total	86,279,289	31,000,000	35.93%	

Following the full redemption of the "Fenglong Convertible Bonds" and their delisting from the Shenzhen Stock Exchange on March 13, 2025, the pledged shares of Chengfeng Investment were accordingly released.

3. Others

Termination of asset restructuring

At the 15th meeting of the third session of the Board of Directors held on February 5, 2024, the Company approved the Asset Purchase Agreement and the Asset Disposal Agreement, together with the Share Transfer Agreement entered into among Chengfeng Investment, Dong Jiangang, Li Caixia, Ningbo Fengchi Investment Co., Ltd. and Zhejiang Dingdu Yunxiang Tourism Co., Ltd., Chen Xianghong, Tongxiang Xinxiang Enterprise Management Partnership (Limited Partnership), Hangzhou Jinchanchu Investment Management Co., Ltd. and Hangzhou Youyizeng Investment Management Co., Ltd., which collectively constituted the asset restructuring transaction.

As of July 5, 2024, considering the changes in the current political and economic environment and the circumstances that the asset injection and disposal matters might not be able to complete the stub period audit and obtain approval at the general meeting of shareholders within 180 days from the date of execution of the Share Transfer Agreement, the actual controllers of both parties reached consensus to terminate the transfer of control and the asset injection and disposal matters. As the transaction was not formally implemented, there was no change in the Company's controlling shareholder, actual controller or principal business. The termination of the relevant matters will not have a material adverse impact on the Company's daily operations and financial position, and does not involve any damage to the interests of the Company and its shareholders, particularly minority shareholders.

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

1. Accounts receivable

(1) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	46,642,984.87	25,519,882.80
1-2 years	2,310.00	
Total	46,645,294.87	25,519,882.80

(2) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl:										
Accounts receivable for which provision for bad debts is made by group	46,645,294.87	100.00%	2,332,380.24	5.00%	44,312, 914.63	25,519,882.80	100.00%	1,275,994.14	5.00%	24,243, 888.66
Incl.:										
Total	46,645, 294.87	100.00%	2,332,380.24	5.00%	44,312, 914.63	25,519, 882.80	100.00%	1,275,994.14	5.00%	24,243, 888.66

Provision for bad debts on a collective basis：Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	46,642,984.87	2,332,149.24	5.00%
1-2 years	2,310.00	231.00	10.00%
Total	46,645,294.87	2,332,380.24	

Description of basis for determining the group:

If the provision for bad debts on accounts receivable is made in accordance with the general expected credit loss model:

☐Applicable ☑N/A

(3) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts on a collective basis	1,275,994.14	1,056,386.10				2,332,380.24
Total	1,275,994.14	1,056,386.10				2,332,380.24

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reasons for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

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

In RMB

Item	Write-off amount

Information of significant accounts receivable that are written off:

In RMB

Entity	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of accounts receivable written off:

No accounts receivable were written off during the current period.

(5) Top five closing balances of Accounts receivable and contract assets categorized by debtor

In RMB

Entity	Closing balance of accounts receivable	Closing balance of contract assets	Total closing balance of accounts receivable and contract assets	Percentage of total closing balance of accounts receivable and contract assets	Closing balance of provision for bad debts on accounts receivable and provision for impairment of contract assets
TTI Partners SPC	11,566,830.43		11,566,830.43	24.80%	578,341.52
MTD PRODUCTS INC	10,468,394.68		10,468,394.68	22.44%	523,419.73
ANDREAS STIHL AG&CO.KG	9,608,231.01		9,608,231.01	20.60%	480,411.55
Zhejiang Baima Technology Co., Ltd.	5,918,941.00		5,918,941.00	12.69%	295,947.05
Emak S.p.A.	2,278,683.99		2,278,683.99	4.89%	113,934.20
Total	39,841,081.11		39,841,081.11	85.42%	1,992,054.05

2. Other receivables

In RMB

Item	Closing balance	Opening balance
Other receivables	148,910,260.59	155,550,680.81
Total	148,910,260.59	155,550,680.81

(1) Other receivables

1) Category of other receivables by nature

In RMB

Nature	Closing book balance	Opening book balance
Inter-company receivables	151,028,918.08	159,199,968.13
Receivables of temporary payments	196,120.24	196,269.73
Export tax rebates receivable	299,310.62	122,984.42
Security deposit	82,550.00	92,550.00
Total	151,606,898.94	159,611,772.28

2) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	50,995,430.86	70,516,115.20
1-2 years	24,560,668.08	41,594,857.08
2-3 years	28,550,000.00	47,500,000.00
Over 3 years	47,500,800.00	800.00
3-4 years	47,500,000.00	
4-5 years		400.00
Over 5 years	800.00	400.00
Total	151,606,898.94	159,611,772.28

3) Disclosed by classification according to method of provision for bad debts

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carry value	Book balance		Provision for bad debts		Carry value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Provision for bad debts on an individual basis	107,000,000.00	70.58%			107,000,000.00	91,500,000.00	57.33%			91,500, 000.00
Incl:										
Provision for bad debts on a collective basis	44,606, 898.94	29.42%	2,696,638.35	6.05%	41,910, 260.59	68,111, 772.28	42.67%	4,061,091.47	5.96%	64,050, 680.81
Incl:										
Total	151,606,898.94	100.00%	2,696,638.35	1.78%	148,910,260.59	159,611,772.28	100.00%	4,061,091.47	2.54%	155,550,680.81

Provision for bad debts on an individual basis:

In RMB

Name	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision ratio	Reasons for provision
Tuson Precision	91,500,000.00		107,000,000. 00			Convertible bond loans
Total	91,500,000.00		107,000,000. 00			

Provision for bad debts on a collective basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision ratio
Within 1 year	35,495,430.86	1,774,771.54	5.00%
1-2 years	9,060,668.08	906,066.81	10.00%
2-3 years	50,000.00	15,000.00	30.00%
Over 4 years	800.00	800.00	100.00%
Total	44,606,898.94	2,696,638.35	

Basis for determining such group:

Provision for bad debts in accordance with the general expected credit loss model:

In RMB

Provisions for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2024	2,750,805.76	1,309,485.71	800.00	4,061,091.47
Balance as at January 1, 2024 in the current period				
- Transferred to Stage II	-453,033.40	453,033.40		
- Transferred to Stage III		-5,000.00	5,000.00	
Provision made during the current period	-523,000.82	-851,452.30	10,000.00	-1,364,453.12
Balance as at December 31, 2024	1,774,771.54	906,066.81	15,800.00	2,696,638.35

Basis for classification into each stage and provision ratio for bad debts

Basis for classification into each stage: At each balance sheet date, the Company measures the expected credit losses of financial instruments at different stages separately. For financial instruments whose credit risk has not increased significantly since initial recognition, which are in Stage I, the Company measures loss provisions based on expected credit losses within the next 12 months; for financial instruments whose credit risk has increased significantly since initial recognition but have not yet been credit-impaired, which are in Stage II, the Company measures loss provisions based on lifetime expected credit losses of the instrument; for financial instruments that have been credit-impaired since initial recognition, which are in Stage III, the Company measures loss provisions based on lifetime expected credit losses of the instrument.

Changes in book balance with significant changes in the amount of loss provisions during the current period
☐Applicable ☑N/A

4) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts made on other receivables	4,061,091.47	- 1,364,453.12				2,696,638.35
Total	4,061,091.47	- 1,364,453.12				2,696,638.35

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reasons for reversal	Method of recovery	Basis for determining the original provision ratio for bad debts and its reasonableness

5) Other receivables actually written off for the current period

In RMB

Item	Write-off amount

Information on other receivables of significance that are written off:

In RMB

Entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of other receivables written off:

No other receivables were actually written off during the current period.

6) Top five closing balances of other receivables categorized by debtor

In RMB

Entity	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables	Closing balance of provisions for bad debts
Tuson Precision	Convertible bond loans	107,000,000.00	Within 1 year, 1-2 years, 2-3 years, 3-4 years	70.57%	
Haolong Electric	Current accounts	44,028,918.08	Within 1 year, 1-2 years	29.05%	2,652,891.81
State Treasury of the People's Republic of China, Shaoxing Shangyu District Branch	Export tax rebates receivable	299,310.62	Within 1 year	0.20%	14,965.53
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch	Receivables of temporary payments	196,120.24	Within 1 year	0.13%	9,806.01
Guizhou Huiqun Trading Co., Ltd.	Deposits	50,000.00	2-3 years	0.03%	15,000.00
Total		151,574,348.94		99.98%	2,692,663.35

3. Long-term equity investments

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	292,212,865. 94		292,212,865. 94	275,027,830. 47		275,027,830. 47
Total	292,212,865. 94		292,212,865. 94	275,027,830. 47		275,027,830. 47

(1) Investments in subsidiaries

In RMB

Investees	Opening balance (Carrying value)	Opening balance of provision for impairment	Changes during the current period				Closing balance (Carrying value)	Closing balance of provision for impairment
			Additional investment	Decreased investment	Provision for impairment	Others		
Tuson Precision	187,744,930.47						187,744,930.47	
Haolong Electric	48,043,155.99						48,043,155.99	
Fenglong Hong Kong	32,397,850.00						32,397,850.00	
Fenglong Technology	4,603,622.01		11,370,000.00				15,973,622.01	
Hangzhou Fenglong	2,238,272.00		1,000,000.00				3,238,272.00	
Maisheng Machinery			4,815,035.47				4,815,035.47	
Total	275,027,830.47		17,185,035.47				292,212,865.94	

4. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	174,872,072.38	137,953,124.97	116,181,981.97	98,402,330.48
Other business	3,307,930.94	2,631,872.40	1,720,667.94	1,278,680.50
Total	178,180,003.32	140,584,997.37	117,902,649.91	99,681,010.98

Information on operating revenues and operating costs:

In RMB

Category of contract	Segment 1		Segment 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Types of business								
Incl.:								
Garden machinery	163,915,262.81	127,641,960.96					163,915,262.81	127,641,960.96
Automotive parts	104,330.88	102,791.96					104,330.88	102,791.96
Others	14,160,409.63	12,840,244.45					14,160,409.63	12,840,244.45
By operating region								
Incl.:								
Domestic	113,480,216.22	94,231,921.79					113,480,216.22	94,231,921.79
Overseas	64,699,787.10	46,353,075.58					64,699,787.10	46,353,075.58
By market or customer type								
Incl.:								
By contract type								
Incl.:								
By transfer time of goods								
Incl.:								
Revenue recognized at a point in time	178,180,003.32	140,584,997.37					178,180,003.32	140,584,997.37
By term of contract								
Incl.:								
By sales channel								
Incl.:								
Total	178,180,003.32	140,584,997.37					178,180,003.32	140,584,997.37

Information related to performance obligations:

Item	Timing of satisfaction of performance obligations	Significant payment terms	Nature of goods the Company promises to transfer	Whether acting as principal	Amounts expected to be refunded to customers	Type of quality assurance provided by the Company and related obligations

Other information

Information related to transaction price allocated to remaining performance obligations:

The revenue corresponding to performance obligations under contracts signed but not yet performed or not yet fully performed as at the end of the reporting period amounts to RMB0.00.

Significant contract modifications or significant transaction price adjustments

In RMB

Item	Accounting treatment method	Impact amount on revenue

Other information:

Revenue recognized during the current period that was included in the opening balance of contract liabilities amounted to RMB127,093.32.

5. Research and development expenses

Item	Amount in the current period	Amount in the prior period
Employee benefits	4,770,718.27	5,264,721.64
Direct materials	1,727,227.82	604,899.86
Depreciation and amortization	612,105.29	727,350.12
Utilities	84,531.10	282,620.71
Certification fees	66,727.25	99,616.40
Share-based payment		-481,070.00
Others	42,633.67	266,449.16
Total	7,303,943.40	6,764,587.89

6. Investment income

In RMB

Item	Amount in the current period	Amount in the prior period
Income from long-term equity investments under equity method		-657,654.90
Investment income from disposal of long-term equity investments		-81,575.36
Investment income from disposal of Financial assets held for trading		360,796.60
Interest on borrowings from related parties	4,211,095.86	3,552,105.13
Investment income from wealth management products	2,450,601.20	2,738,443.84
Interest on bill discounting	-2,846.23	-60,001.48
Total	6,658,850.83	5,852,113.83

XX. Supplementary information

1. Statement of non-recurring gain or loss for the current period

☑Applicable ☐N/A

In RMB

Item	Amount	Remark
Gain or loss on disposal of non-current assets	2,523,711.02	See Note 48 to the consolidated financial statements for detail

Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the Company's normal operating business, comply with state policies, are enjoyed based on determined standards, and have a continuous impact on the Company's profit or loss	2,938,819.22	Income-related government grants, see Note 43 to the consolidated financial statements for details
Gain or loss on investment or asset management by commissioned parties	1,217,328.71	Investment income from wealth management products, see Note 45 to the consolidated financial statements for details
Reversal of provision for impairment of individually tested receivables	75,000.00	See Note 7 to the consolidated financial statements for detail
Other non-operating income and expenses other than the above items	-264,638.73	
Other gains and losses that meet the definition of non-recurring profit or loss	-4,535,086.42	Occasional non-monetary benefits
Less: Effect on income tax	320,227.43	
Total	1,634,906.37	--

Details of other gain or loss items that meet the definition of non-recurring gain or loss:
☑Applicable ☐N/A

Other gains and losses that meet the definition of non-recurring profit or loss comprise occasional non-monetary benefits.

Explanations for classifying non-recurring gain or loss items enumerated in the Explanatory Announcement No. 1 for Public Company Information Disclosures – Non-recurring Profits and Losses as recurring gain or loss items

☐Applicable ☑N/A

2. Return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to the Company's ordinary shareholders	0.60%	0.02	0.03
Net profit attributable to the Company's ordinary shareholders after deduction of non-recurring gain or loss	0.39%	0.01	0.02

3. Accounting data differences arising from accounting standard of the PRC and the International Accounting Standards

(1) Differences in net profits and net assets in the financial reports disclosed concurrently under international accounting standards and Chinese accounting standards

☐Applicable ☑N/A

(2) Differences in net profits and net assets in the financial reports disclosed concurrently under overseas accounting standards and Chinese accounting standards

☐Applicable ☑N/A

(3) Explanation about the accounting data differences under overseas accounting standards and Chinese accounting standards, and if the data audited by a foreign firm have been reconciliated for such differences, name of such foreign firm

Zhejiang Fenglong Electric Co., Ltd.
Legal representative and Chairman: Dong Jiangang
April 25, 2025

Financial Report

I. Audit Report

Whether the interim report has already been audited or not
☐ Yes ☑ No
The interim financial statements of the Company are unaudited.

II. Financial Statements

Statements in notes to the financial statements are denominated in RMB.

1. Consolidated balance sheet

Prepared by: Zhejiang Fenglong Electric Co., Ltd.

June 30, 2025

In RMB

Item	Closing balance	Opening balance
Current assets:		
Cash at bank and on	142, 859, 863. 09	162, 986, 286. 03
Balances with clearing agencies		
Placements with banks and other financial institutions		
Financial assets held for trading	168, 000, 000. 00	107, 050, 000. 00
Derivative financial assets		
Notes receivable		
Accounts receivables	141, 450, 747. 95	143, 480, 428. 28
Finance lease receivables	22, 694, 101. 70	24, 768, 989. 48
Prepayments	9, 989, 318. 69	7, 475, 807. 97
Premium receivable		
Amounts receivable under reinsurance contracts		
Reinsurer’s share of insurance contract reserves		
Other receivables	795, 560. 88	1, 263, 357. 86
Incl.: Interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	132, 046, 859. 76	135, 293, 026. 90
Of which: Data resources		
Contract assets	4, 086, 562. 33	5, 983, 389. 47
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	2, 209, 202. 90	4, 115, 942. 16
Total current assets	624, 132, 217. 30	592, 417, 228. 15

Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	291, 228, 512. 98	302, 582, 794. 08
Construction in progress	161, 027, 692. 03	160, 285, 463. 29
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	59, 662, 149. 33	61, 352, 420. 43
Of which: Data resources		
Development expenditure		
Of which: Data resources		
Goodwill	8, 631, 121. 91	8, 710, 546. 60
Long-term deferred expenses	367, 383. 51	442, 776. 09
Deferred tax assets	6, 963, 514. 73	5, 984, 401. 06
Other non-current assets	197, 500. 00	1, 335, 250. 00
Total non-current assets	528, 077, 874. 49	540, 693, 651. 55
Total assets	1, 152, 210, 091. 79	1, 133, 110, 879. 70
Current liabilities:		
Short-term borrowings	68, 014, 833. 34	45, 002, 000. 00
Loans from the central bank		
Taking from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	18, 832, 094. 21	10, 827, 634. 74
Accounts payables	88, 217, 524. 00	120, 473, 723. 66
Receipts in advance		
Contract liabilities	425, 653. 78	843, 005. 28
Financial assets sold under repurchase agreements		
Customer deposits and deposits from banks and other financial institutions		
Funds from securities trading agency		
Funds from underwriting securities agency		
Employee benefits payable	8, 416, 631. 44	10, 901, 120. 64

Taxes payable	6,463,728.00	5,676,737.20
Other payables	11,717,318.88	6,770,681.75
Incl.: Interest payable		
Dividends payable	10,925,292.80	
Fees and commissions payable		
Amounts payable under reinsurance contracts		
Held-for-sale liabilities		
Non-current liabilities to be settled within one year		3,114,259.20
Other current liabilities	55,334.99	109,590.69
Total current liabilities	202,143,118.64	203,718,753.16
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		
Bonds payable		158,255,305.03
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	4,308,323.63	4,538,503.67
Deferred tax liabilities	1,643,019.66	1,798,754.35
Other non-current liabilities		
Total non-current liabilities	5,951,343.29	164,592,563.05
Total liabilities	208,094,461.93	368,311,316.21
Owner's equity:		
Share capital	218,505,856.00	204,790,102.00
Other equity instruments		44,014,730.59
Incl.: Preference shares		
Perpetual bonds		
Capital reserve	407,647,465.06	208,647,994.45
Less: Treasury shares		6,277,472.00
Other comprehensive income	114,129.36	164,794.29
Special reserve		
Surplus reserve	27,186,161.35	27,186,161.35
General risk reserve		
Undistributed profit	290,662,018.09	286,273,252.81
Total equity attributable to owners of the parent company	944,115,629.86	764,799,563.49
Minority interests		
Total owners' equity	944,115,629.86	764,799,563.49
Total liabilities and owners' equity	1,152,210,091.79	1,133,110,879.70

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

2. Balance sheet of the parent company

In RMB

Item	Closing balance	Opening balance

Current assets:		
Cash at bank and on	70, 123, 902. 89	96, 964, 155. 97
Financial assets held for trading	100, 000, 000. 00	40, 000, 000. 00
Derivative financial assets		
Notes receivable		
Accounts receivables	5, 375, 837. 86	44, 312, 914. 63
Receivable financing	1, 915, 111. 59	8, 373, 678. 39
Prepayments	339, 979. 74	654, 045. 03
Other receivables	172, 636, 236. 87	148, 910, 260. 59
Incl.: Interest receivable		
Dividends receivable		
Inventories		30, 372, 520. 57
Of which: Data resources		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	75, 573. 44	918, 306. 42
Total current assets	350, 466, 642. 39	370, 505, 881. 60
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	292, 212, 865. 94	292, 212, 865. 94
Other investments in equity instruments		
Other non-current financial assets		
Investment properties	157, 804, 894. 15	
Fixed assets	234, 787. 60	175, 905, 233. 78
Construction in progress		911, 165. 87
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets		21, 798, 262. 53
Of which: Data resources		
Development expenditure		
Of which: Data resources		
Goodwill		
Long-term deferred expenses	69, 146. 29	220, 076. 25
Deferred tax assets	70, 734. 71	586, 053. 64
Other non-current assets	40, 000. 00	304, 750. 00
Total non-current assets	450, 432, 428. 69	491, 938, 408. 01
Total assets	800, 899, 071. 08	862, 444, 289. 61
Current liabilities:		
Short-term borrowings	11, 007, 416. 67	
Financial liabilities held for trading		
Derivative financial liabilities		

Notes payable	31, 052, 793. 24	23, 796, 004. 37
Accounts payables	14, 353, 072. 17	41, 101, 083. 21
Receipts in advance		
Contract liabilities		710, 042. 97
Employee benefits payable	350, 946. 70	3, 516, 526. 08
Taxes payable	3, 424, 741. 45	2, 665, 133. 42
Other payables	11, 432, 788. 00	6, 313, 472. 00
Incl.: Interest payable		
Dividends payable	10, 925, 292. 80	
Held-for-sale liabilities		
Non-current liabilities to be settled within one year		3, 114, 259. 20
Other current liabilities		92, 305. 59
Total current liabilities	71, 621, 758. 23	81, 308, 826. 84
Non-current liabilities:		
Long-term borrowings		
Bonds payable		158, 255, 305. 03
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income		1, 221, 270. 00
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities		159, 476, 575. 03
Total liabilities	71, 621, 758. 23	240, 785, 401. 87
Owner's equity:		
Share capital	218, 505, 856. 00	204, 790, 102. 00
Other equity instruments		44, 014, 730. 59
Incl.: Preference shares		
Perpetual bonds		
Capital reserve	370, 411, 078. 42	227, 383, 069. 52
Less: Treasury shares		6, 277, 472. 00
Other comprehensive income		
Special reserve		
Surplus reserve	26, 831, 248. 95	26, 831, 248. 95
Undistributed profit	113, 529, 129. 48	124, 917, 208. 68
Total owners' equity	729, 277, 312. 85	621, 658, 887. 74
Total liabilities and owners' equity	800, 899, 071. 08	862, 444, 289. 61

3. Consolidated income statement

In RMB

Item	First half of 2025	First half of 2024
I. Total operating revenue	250, 887, 389. 16	228, 681, 532. 17

Incl.: Operating revenue	250,887,389.16	228,681,532.17
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	235,487,642.25	228,920,017.54
Incl.: Operating cost	194,418,850.14	183,902,625.25
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims expenses		
Net provision for insurance reserve		
Insurance policyholder dividends		
Expenses for reinsurance accepted		
Taxes and surcharges	2,862,267.77	2,767,272.31
Selling expenses	7,783,896.00	4,737,767.64
Administrative expenses	21,858,777.12	22,692,905.16
Research and development expenses	12,372,420.01	13,411,591.11
Financial expenses	-3,808,568.79	1,407,856.07
Incl.: Interest expenses	952,593.82	1,972,249.50
Interest income	947,092.48	785,472.90
Add: Other income	2,241,459.63	3,731,586.00
Investment income (loss is indicated by "-")	954,132.81	327,016.17
Incl.: Income from investments in associates and joint ventures		
Income from derecognition of financial assets measured at amortized cost		
Foreign exchange gains (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		
Gains from changes in fair value (loss is indicated by "-")		
Credit loss (loss is indicated by "-")	-43,608.36	-609,108.88
Impairment losses of assets (loss is indicated by "-")	335,043.29	-263,180.74
Gains from disposal of assets (loss is indicated by "-")	78,352.62	-1,982,430.44
III. Operating profit (loss is indicated by "-")	18,965,126.90	965,396.74
Add: Non-operating revenue	60,007.58	330.00
Less: Non-operating expenses	104,580.18	130,073.56
IV. Total profit (total losses are indicated by "-")	18,920,554.30	835,653.18
Less: Income tax expense	3,606,496.22	174,898.54
V. Net profit (net loss is indicated by "-")	15,314,058.08	660,754.64
(I) Categorized by the nature of continuing operation		

1. Net profit from continuing operations (net loss is indicated by "-")	15,314,058.08	660,754.64
2. Net profit from discontinued operations (net loss is indicated by "-")		
(II) Categorized by ownership		
1. Net profit attributable to shareholders of the parent company (net loss is indicated by "-")	15,314,058.08	660,754.64
2. Profit or loss attributable to minority interests (net loss is indicated by "-")		
VI. Other comprehensive income, net of tax	-50,664.93	59,103.31
Other comprehensive income attributable to owners of the parent company, net of tax	-50,664.93	59,103.31
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		
(II) Other comprehensive income that will be reclassified to profit or loss	-50,664.93	59,103.31
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies	-50,664.93	59,103.31
7. Others		
Other comprehensive income attributable to minority interests, net of tax		
VII. Total comprehensive income	15,263,393.15	719,857.95
Total comprehensive income attributable to owners of the parent company	15,263,393.15	719,857.95
Total comprehensive income attributable to minority interests		
VIII. Earnings per share:		
(I) Basic earnings per share	0.07	0
(II) Diluted earnings per share	0.07	0.01

With respect to the business mergers involving entities under common control consummated in the current period, the net profit of the acquirees was nil prior to the merger, and nil in the prior period.

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

4. Income statement of the parent company

In RMB

Item	First half of 2025	First half of 2024
I. Operating revenue	59,856,281.56	81,917,800.76
Less: Operating cost	45,867,639.27	64,717,533.47

Taxes and surcharges	1,202,451.30	1,126,170.71
Selling expenses	3,209,430.29	1,497,951.72
Administrative expenses	7,385,413.93	11,943,198.79
R&D expenses	2,372,610.72	3,323,224.37
Financial expenses	1,128,835.26	4,956,401.35
Incl.: Interest expenses	2,103,496.86	5,803,595.65
Interest income	500,367.03	316,467.86
Add: Other income	304,076.50	1,660,451.66
Investment income (loss is indicated by "-")	2,258,898.80	3,112,048.55
Incl.: Income from investments in associates and joint ventures		
Income from derecognition of financial assets measured at amortized cost (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		
Gains from changes in fair value (loss is indicated by "-")		
Impairment losses of credit (loss is indicated by "-")	-351,591.29	-2,623,326.72
Impairment losses of assets (loss is indicated by "-")		
Gains from disposal of assets (loss is indicated by "-")		-12,312.50
II. Operating profit (loss is indicated by "-")	901,284.80	-3,509,818.66
Add: Non-operating revenue	60,000.00	130.00
Less: Non-operating expenses	103,475.06	130,000.11
III. Total profit (total loss is indicated by "-")	857,809.74	-3,639,688.77
Less: Income tax expense	1,320,596.14	294,417.69
IV. Net profit (net loss is indicated by "-")	-462,786.40	-3,934,106.46
(I) Net profit from continuing operations (net loss is indicated by "-")	-462,786.40	-3,934,106.46
(II) Net profit from discontinued operations (net loss is indicated by "-")		
V. Other comprehensive income, net of tax		
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		

(II) Other comprehensive income that will be reclassified to profit or loss		
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies		
7. Others		
VI. Total comprehensive income	-462,786.40	-3,934,106.46
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated statements of cash flows

In RMB

Item	First half of 2025	First half of 2024
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	264,249,553.11	229,892,825.00
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from the central bank		
Net increase in taking from banks and other financial institutions		
Cash receipts from premiums under direct insurance contracts		
Net cash receipts from reinsurance business		
Net cash receipts from policyholders' deposits and investment contract liabilities		
Cash receipts from interest, fees and commissions		
Net increase in taking from banks and other financial institutions		
Net increase in financial assets sold under repurchase arrangements		
Net cash received from securities trading agency		
Receipts of tax refunds	4,640,503.71	5,545,773.35
Other cash receipts relating to operating activities	15,154,162.07	9,455,405.27
Sub-total of cash inflows from operating activities	284,044,218.89	244,894,003.62
Cash payments for goods purchased and services received	191,787,887.00	159,935,118.66
Net increase in loans and advances to customers		
Net increase in balance with the central bank and due from banks and other financial institutions		
Cash payments for claims and policyholders' benefits under direct insurance contracts		
Net increase in placements with banks and other financial institutions		
Cash payments for interest, fees and commissions		
Cash payments for insurance policyholder dividends		
Cash payments to and on behalf of employees	43,653,267.01	52,648,423.28
Payment of various types of taxes	8,699,559.90	7,971,019.06
Other cash payments relating to operating activities	27,425,317.22	16,490,616.43
Sub-total of cash outflows from operating activities	271,566,031.13	237,045,177.43
Net cash flows from operating activities	12,478,187.76	7,848,826.19
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	343,472,000.00	471,891,000.00
Cash receipts from investment income	1,225,037.68	1,426,960.82
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	132,000.00	2,104,683.54

Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities		1,504,096.69
Sub-total of cash inflows from investing activities	344,829,037.68	476,926,741.05
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	9,330,113.06	34,501,003.10
Cash payments to acquire investments	404,422,000.00	487,404,000.00
Net increase in pledged loans receivable		
Net cash payments for acquisitions of subsidiaries and other business entities		
Other cash payments relating to investing activities		
Sub-total of cash outflows from investing activities	413,752,113.06	521,905,003.10
Net cash flows from investment activities	-68,923,075.38	-44,978,262.05
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Incl.: Cash received by subsidiaries from minority shareholders' investments		
Cash receipts from borrowings	76,000,000.00	43,748,110.50
Other cash receipts relating to financing activities	9,619,383.89	
Sub-total of cash inflows from financing activities	85,619,383.89	43,748,110.50
Cash repayments of borrowings	54,152,821.56	19,548,110.50
Cash payments for distribution of dividends or profits or settlement of interest expenses	3,438,625.89	2,876,976.87
Incl.: Dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities		
Sub-total of cash outflows from operating activities	57,591,447.45	22,425,087.37
Net cash flows from financing activities	28,027,936.44	21,323,023.13
IV. Effect of foreign exchange rate changes on cash and cash equivalents	1,992,555.44	321,893.57
V. Net increase in cash and cash equivalents	-26,424,395.74	-15,484,519.16
Add: Opening balance of cash and cash equivalents	157,826,342.65	142,521,631.80
VI. Closing balance of cash and cash equivalents	131,401,946.91	127,037,112.64

6. Statement of cash flows of the parent company

In RMB

Item	First half of 2025	First half of 2024
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	114,568,185.65	68,377,044.10
Receipts of tax refunds	746,692.69	2,016,230.04
Other cash receipts relating to operating activities	14,275,012.38	7,291,919.40
Sub-total of cash inflows from operating activities	129,589,890.72	77,685,193.54
Cash payments for goods purchased and services received	57,910,886.98	48,678,044.50
Cash payments to and on behalf of employees	10,622,391.73	17,043,484.30
Payment of various types of taxes	3,077,709.08	3,810,662.73
Other cash payments relating to operating activities	15,801,216.64	11,686,858.31
Sub-total of cash outflows from operating activities	87,412,204.43	81,219,049.84
Net cash flows from operating activities	42,177,686.29	-3,533,856.30
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	20,000,000.00	110,000,000.00
Cash receipts from investment income	221,917.81	1,099,944.65
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		938,313.54

Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities	41,092,298.89	11,774,253.38
Sub-total of cash inflows from investing activities	61,314,216.70	123,812,511.57
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	6,691,174.72	17,097,263.51
Cash payments to acquire investments	80,000,000.00	110,000,000.00
Net cash payments for acquisitions of subsidiaries and other business entities		11,370,000.00
Other cash payments relating to investing activities	62,700,000.00	32,000,000.00
Sub-total of cash outflows from investing activities	149,391,174.72	170,467,263.51
Net cash flows from investment activities	-88,076,958.02	-46,654,751.94
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Cash receipts from borrowings	21,000,000.00	10,000,000.00
Other cash receipts relating to financing activities	9,619,383.89	2,000,000.00
Sub-total of cash inflows from financing activities	30,619,383.89	12,000,000.00
Cash repayments of borrowings	11,152,821.56	1,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses	3,224,109.21	2,231,076.29
Other cash payments relating to financing activities		
Sub-total of cash outflows from operating activities	14,376,930.77	3,231,076.29
Net cash flows from financing activities	16,242,453.12	8,768,923.71
IV. Effect of foreign exchange rate changes on cash and cash equivalents	535,727.00	481,361.24
V. Net increase in cash and cash equivalents	-29,121,091.61	-40,938,323.29
Add: Opening balance of cash and cash equivalents	92,210,538.66	71,000,236.26
VI. Closing balance of cash and cash equivalents	63,089,447.05	30,061,912.97

7. Consolidated statement of changes in owners' equity

Amount in the current period

In RMB

Item	First half of 2025														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	204, 790, 102. 00			44, 014, 730. 59	208, 647, 994. 45	6, 277, 472. 00	164, 794. 29		27, 186, 161. 35		286, 273, 252. 81		764, 799, 563. 49		764, 799, 563. 49
Add: Changes in accounting policies															
Corrections of prior period errors															
Others															
II. Opening balance of the current year	204, 790, 102. 00			44, 014, 730. 59	208, 647, 994. 45	6, 277, 472. 00	16, 794. 29		27, 186, 161. 35		286, 273, 252. 81		764, 799, 563. 49		764, 799, 563. 49
III. Changes for the current period (decrease is indicated by "-")	13, 715, 754. 00			-44, 014, 730. 59	198, 999, 470. 61	-6, 277, 472. 00	-50, 664. 93				4, 388, 765. 28		179, 316, 066. 37		179, 316, 066. 37
(I) Total comprehensive income							-50, 664. 93				15, 314, 058. 08		15, 263, 393. 15		15, 263, 393. 15
(II) Owners' contributions and reduction in capital	13, 715, 754. 00			-44, 014, 730. 59	198, 999, 470. 61	-6, 277, 472. 00							174, 977, 966. 02		174, 977, 966. 02
1. Ordinary shares contributed by owners					189, 380, 086. 72								189, 380, 086. 72		189, 380, 086. 72
2.Capital contribution from holders of other equity	13, 715, 754. 00			-44, 014, 730. 59									-30, 298, 976. 59		-30, 298, 976. 59

instruments																			
3. Share-based payment recognized in owners' equity																			
4. Others					9,619,383.89	-6,277,472.00									15,896,855.89			15,896,855.89	
(III) Profit distribution												-10,925,292.80			-10,925,292.80			-10,925,292.80	
1. Transfer to surplus reserve																			
2. Transfer to general risk reserve																			
3. Distributions to owners (shareholders)												-10,925,292.80			-10,925,292.80			-10,925,292.80	
4. Others																			
(IV) Transfers within owners' equity																			
1. Capitalization of capital reserve (or conversion to share capital)																			
2. Capitalization of surplus reserve (or conversion to share capital)																			
3. Loss offset by surplus reserve																			
4. Retained earnings carried forward from changes in defined benefit plans																			
5. Retained earnings carried																			

forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the current period															
2. Amount utilized in the current period															
(VI) Others															
IV. Closing balance of the current period	218, 505, 856. 00				407, 647, 465. 06		114, 129. 36		27, 186, 161. 35		290, 662, 018. 09		944, 115, 629. 86		944, 115, 629. 86

Amount in the prior year

In RMB

Item	First half of 2024														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	204, 772, 749. 00			44, 070, 444. 02	202, 564, 691. 11	12, 554, 944. 00	-447. 50		27, 186, 161. 35		302, 159, 033. 06		768, 197, 687. 04		768, 197, 687. 04
Add: Changes in accounting policies															
Corrections of prior period errors															
Others															

II. Opening balance of the current year	204, 772, 749. 00		44, 070, 444. 02	202, 564, 691. 11	12, 554, 944. 00	−447. 50	27, 186, 161. 35	302, 159, 033. 06		768, 197, 687. 04		768, 197, 687. 04
III. Changes for the current period decrease is indicated by "-")	14, 086. 00		−45, 283. 06	1, 691, 726. 93		59, 103. 31		660, 754. 64		2, 380, 387. 82		2, 380, 387. 82
(I) Total comprehensive income						59, 103. 31		660, 754. 64		719, 857. 95		719, 857. 95
(II) Owners' contributions and reduction in capital	14, 086. 00		−45, 283. 06	187, 630. 24						156, 433. 18		156, 433. 18
1. Ordinary shares contributed by owners				187, 630. 24						187, 630. 24		187, 630. 24
2.Capital contribution from holders of other equity instruments	14, 086. 00		−45, 283. 06							−31, 197. 06		−31, 197. 06
3. Share-based payment recognized in owners' equity												
4. Others												
(III) Profit distribution												
1. Transfer to surplus reserve												
2. Transfer to general risk reserve												
3. Distributions to owners (shareholders)												

4. Others																					
(IV) Transfers within owners' equity																					
1. Capitalization of capital reserve (or conversion to share capital)																					
2. Capitalization of surplus reserve (or conversion to share capital)																					
3. Loss offset by surplus reserve																					
4. Retained earnings carried forward from changes in defined benefit plans																					
5. Retained earnings carried forward from other comprehensive income																					
6. Others																					
(V) Special reserve																					
1. Transfer to special reserve in the period																					
2. Amount utilized in the period																					
(VI) Others							1, 504, 096. 69											1, 504, 096. 69		1, 504, 096. 69	
IV. Closing balance of the current period	204, 786, 835. 00				44, 025, 160. 96		204, 256, 418. 04		12, 554, 944. 00		58, 655. 81				27, 186, 161. 35		302, 819, 787. 70		770, 578, 074. 86		770, 578, 074. 86

8. Statement of changes in owners' equity of the parent company

Amount in the current period

In RMB

Item	First half of 2025											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the prior year	204, 790, 102. 00			44, 014, 730. 59	227, 383, 069. 52	6, 277, 472. 00			26, 831, 248. 95	124, 917, 208. 68		621, 658, 887. 74
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	204, 790, 102. 00			44, 014, 730. 59	227, 383, 069. 52	6, 277, 472. 00			26, 831, 248. 95	124, 917, 208. 68		621, 658, 887. 74
III. Changes for the current period (decrease is indicated by "-")	13, 715, 754. 00			-44, 014, 730. 59	143, 028, 008. 90	-6, 277, 472. 00				-11, 388, 079. 20		107, 618, 425. 11
(I) Total comprehensive income										- 462, 786. 40		- 462, 786. 40
(II) Owners' contributions and reduction in capital	13, 715, 754. 00			-44, 014, 730. 59	198, 999, 470. 61	-6, 277, 472. 00						174, 977, 966. 02
1. Ordinary shares contributed by owners					189, 380, 086. 72							189, 380, 086. 72
2. Capital contribution from holders of other equity instruments	13, 715, 754. 00			-44, 014, 730. 59								-30, 298, 976. 59
3. Share-based payment recognized in owners' equity												
4. Others					9, 619, 383. 89	-6, 277, 472. 00						15, 896, 855. 89

(III) Profit distribution										-10,925,292.80		-10,925,292.80
1. Transfer to surplus reserve												
2. Distributions to owners (shareholders)										-10,925,292.80		-10,925,292.80
3.Others												
(IV) Transfers within owners' equity												
1. Capitalization of capital reserve (or conversion to share capital)												
2. Capitalization of surplus reserve (or conversion to share capital)												
3. Loss offset by surplus reserve												
4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive income												
6.Others												
(V) Special reserve												
1. Transfer to special reserve in the current period												
2. Amount utilized in the current period												
(VI) Others					-55,971,461.71							-55,971,461.71
IV. Closing balance of the current period	218,505,856.00				370,411,078.42				26,831,248.95	113,529,129.48		729,277,312.85

Amount in the prior year

In RMB

Item	First half of 2024											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the prior year	204, 772, 749. 00			44, 070, 444. 02	221, 299, 766. 18	12, 554, 944. 00			26, 831, 248. 95	146, 309, 785. 08		630, 729, 049. 23
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	204, 772, 749. 00			44, 070, 444. 02	221, 299, 766. 18	12, 554, 944. 00			26, 831, 248. 95	146, 309, 785. 08		630, 729, 049. 23
III. Changes for the current period (decrease is indicated by "-")	14,086. 00			- 45, 283.06	1,691, 726. 93					-3, 934, 106. 46		-2, 273, 576. 59
(I) Total comprehensive income										- 3, 934, 106. 46		- 3, 934, 106. 46
(II) Owners' contributions and reduction in capital	14, 086. 00			-45, 283. 06	187, 630. 24							156, 433. 18
1. Ordinary shares contributed by owners					187, 630. 24							187, 630. 24
2.Capital contribution from holders of other equity instruments	14, 086. 00			-45, 283. 06								-31, 197. 06
3. Share-based payment recognized in owners' equity												
4. Others												

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(III) Profit distribution															
1. Transfer to surplus reserve															
2. Distributions to owners (shareholders)															
3. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve (or conversion to share capital)															
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6.Others															
(V) Special reserve															
1. Transfer to special reserve in the current period															
2. Amount utilized in the current period															
(VI) Others						1, 504, 096. 69									1, 504, 096. 69
IV. Closing balance of the current period	204, 786, 835. 00			44, 025, 160. 96	222, 991, 493. 11	12, 554, 944. 00				26, 831, 248. 95	142, 375, 678. 62		628, 455, 472. 64		

III. Basic Information of the Company

Zhejiang Fenglong Electric Co., Ltd. (hereinafter referred to as "the Company") was formerly Shaoxing Fenglong Motor Co., Ltd. (hereinafter referred to as "Fenglong Motor"). Using January 31, 2016 as the reference date, Fenglong Motor was restructured in its entirety into a joint stock company and was registered with the Shaoxing Administration for Market Regulation on April 11, 2016. The Company is headquartered in Shaoxing, Zhejiang Province. The Company currently holds a business license with Unified Social Credit Code 913306047498339794, with registered capital of RMB199.0912 million and total share capital of 218,505,856 shares (par value of RMB1 per share). Of these, restricted tradable shares comprise 17,894,284 A shares, and unrestricted tradable shares comprise 200,611,572 A shares. The Company's shares were listed on the Shenzhen Stock Exchange on April 3, 2018.

The Company operates in the special equipment manufacturing industry. Its principal activities include the research and development, production and sales of garden machinery components, automotive parts and hydraulic components. Major products include key components for garden machinery such as igniters, flywheels and cylinders, precision aluminium die-cast automotive components, and hydraulic components.

These financial statements were approved for issue by the 27th meeting of the Company's third Board of Directors on August 25, 2025.

IV. Basis of Preparation of Financial Statements

1. Basis of preparation

The Company's financial statements are prepared on a going-concern basis.

2. Going-concern

The Company has detected no events or circumstances that may cast significant doubt upon its ability to continue as a going concern within 12 months from the reporting period.

V. Significant Accounting Policies and Accounting Estimates

Reminders on specific accounting policies and accounting estimates:

Important note: The Company has formulated the specific accounting policies and made the specific accounting estimates with respect to the impairment of financial instruments, inventory, depreciation of fixed assets, construction in progress, intangible assets, recognition of revenues and other transactions and events according to the actual production and operation characteristics of the Company.

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

The financial statements prepared by the Company conform to 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 related information.

2. Accounting period

The Company's accounting year is from January 1 to December 31 of each calendar year.

3. Operating cycle

The Company has a relatively short operating cycle, and determines the liquidity of assets and liabilities on the basis of 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt RMB as its functional currency, while overseas subsidiaries such as Fenglong Motors (Hong Kong) Limited (hereinafter referred to as Fenglong HK Company) engage in foreign operations, and determine the functional currency based on the currency of the primary economic environment in which they operate.

5. Method for determination and basis for selection of materiality criteria

☑Applicable ☐Not applicable

Item	Materiality criteria
Significant receivables with individual provision for bad debts	The amounts per item exceed the total assets by 0.50%
Significant other receivables with individual provision for bad debts	The amounts per item exceed the total assets by 0.50%
Significant recovery or reversal of provision for bad debts on other receivables	The amounts per item exceed the total assets by 0.50%
Significant contract assets with individual provision for impairment	The amounts per item exceed the total assets by 0.50%
Significant prepayments aging over 1 year	The amounts per item exceed the total assets by 0.50%
Significant projects under construction	The total investment of a single project exceeds the total assets by 0.50%
Significant payables aging over 1 year	The amounts per item exceed the total assets by 0.50%
Significant other payables aging over 1 year	The amounts per item exceed the total assets by 0.50%
Significant contract liabilities aging over 1 year	The amounts per item exceed the total assets by 0.50%
Significant cash flows from investing activities	The amounts per item exceed the total assets by 0.50%
Significant subsidiaries and non-wholly owned subsidiaries	The total assets/total revenue exceed 15% of total assets/total revenue of the Group

6. Accounting treatment of business mergers involving entities under common control and business mergers not involving entities under common control

1. Accounting treatment of business merger involving entities under common control

Assets and liabilities that are obtained by the Company in a business merger shall be measured at their carrying values in the consolidated financial statements of the ultimate controller at the merger date as recorded by the acquiree. The difference between the carrying value of the owners' equity of the acquiree as stated in the consolidated financial statements of the ultimate controller and the carrying value of the total consideration paid or total par value of the shares issued in connection with the merger is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

2. Accounting treatment of business mergers not involving entities under common control

Where the cost of the merger exceeds the Company's share of the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill at the date of acquisition. Where the cost of merger is lower than the Company's share of the fair value of the acquiree's identifiable net assets, the Company reviews the measurement of the fair value of each of the identifiable assets, liabilities and provisions acquired from the acquiree and the cost of merger, and if the cost of merger as reviewed is still lower than the Company's share of the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period.

7. Standards for determination of control and method of preparation of consolidated financial statements

1. Determination of control

An investor is deemed to have control when it has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to influence the amount of variable returns by utilising the power over the investee.

2. Method of preparation of consolidated financial statements

The parent company includes all of its controlled subsidiaries in its consolidated financial statements. The consolidated financial statements are prepared by the parent company in accordance with the Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements, on the basis of the respective financial statements of the parent company and its subsidiaries, by reference to other relevant data.

8. Recognition of cash and cash equivalents

For the purpose of the statement of cash flows, cash comprises cash on hand and demand deposits, and cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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

1. Translation of foreign currency transactions

Upon initial recognition, foreign currency transactions are translated into RMB using the spot exchange rates or approximations thereto at the transaction dates. At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from such translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets and accrued interest. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates approximating those prevailing at the transaction dates, without adjusting the amounts in RMB. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates prevailing at the dates the fair value was determined, and exchange differences arising from such translations are recognized in profit or loss for the current period or other comprehensive income.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet are translated at the spot exchange rates at the balance sheet date. The owners' equity items other than "undistributed profits" are translated at the spot exchange rates at the transaction dates. The income and expense items in the income statements are translated at the spot exchange rates or approximations thereto at the transaction dates. Exchange differences arising from such translations are recognized in other comprehensive income.

10. Financial instruments

1. Classification of financial assets and financial liabilities

Upon initial recognition, financial assets are classified into: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss.

Upon initial recognition, financial liabilities are classified into: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred; (3) financial guarantee contracts not falling under items (1) or (2), and loan

commitments not falling under item (1) and at below-market interest rate; and (4) financial liabilities at amortized cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Recognition and initial measurement of financial assets and financial liabilities

When the Company becomes a party to a financial instrument contract, a financial asset or liability is recognized. Financial assets and liabilities are initially measured at fair value. Transaction costs relating to financial assets or liabilities at fair value through profit or loss are directly recognized in profit or loss for the current period. Transaction costs relating to other kinds of financial assets or liabilities are included in their initially recognized amount. However, where the accounts that do not contain any significant financing component or are recognized by the Company without taking into consideration the significant financing components under the contracts with a term of less than one year upon initial recognition are initially measured at transaction price defined in the Accounting Standards for Business Enterprises No. 14 - Revenue.

(2) Subsequent measurement of financial assets

1) Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Gains or losses on financial assets at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition, reclassification, amortization using the effective interest method or recognition of impairment.

2) Investments in debt instruments at fair value through other comprehensive income

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed from other comprehensive income and included in profit or loss for the current period.

3) Investments in equity instruments at fair value through other comprehensive income

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value. Dividends received (other than those received as recovery of investment cost) are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed from other comprehensive income and included in retained earnings.

4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently measured at fair value. Gains or losses thereon, including interest and dividend income, are recognized in profit or loss for the current period, except the financial assets belonging to any hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives classified as financial liabilities), and financial liabilities directly designated as at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities designated as at fair value through profit or loss arising out of changes in the Company's credit risk are recognized in other comprehensive income, unless such treatment will result in or increase any accounting mismatch in profit or loss. Other gains or losses on such financial liabilities, including interest expenses and changes in fair value not arising out of changes in the Company's credit risk, are recognized in profit or loss for the current period, except the financial liabilities belonging to any hedging relationship. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed from other comprehensive income and included in retained earnings.

2) Financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred

Such financial liabilities are measured in accordance with the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

3) Financial guarantee contracts not falling under items 1) and 2) above, and loan commitments not falling under item 1) above and below market interest rate

Such financial liabilities are subsequently measured at the higher of ① allowance for expected credit losses determined according to the policy for impairment of financial instruments; and ② balance of the initially recognized amount after deduction of the accumulated amortization determined in accordance with Accounting Standards for Business Enterprises No. 14 - Revenue.

4) Financial liabilities at amortized cost

Such financial liabilities are measured at amortized cost using the effective interest method. Gains or losses on financial liabilities at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition or amortization using the effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

① the contractual right to receive cash flows from the financial assets has expired;

② the financial assets have been transferred and such transfer meets the criteria for derecognition of financial assets as set forth in the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

2) A financial liability (or part thereof) is derecognized when all or part of the present obligations thereon have been discharged.

3. Recognition and measurement of financial assets transferred

When a financial asset of the Company is transferred, if substantially all the risks and rewards incidental to the ownership of the financial asset have been transferred, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be). If the Company retains substantially all the risks and rewards of ownership of a financial asset, the Company shall not derecognize the financial asset. If the Company retains

substantially all the risks and rewards of ownership of a financial asset, the Company shall not derecognize the financial asset. If the Company neither transferred nor retained substantially all the risks and rewards incidental to the ownership of the financial asset, then: (1) if the Company does not retain control over the financial asset, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be); and (2) if the Company retains control over the financial asset, the financial asset continues to be recognized to the extent of the Company's continuing involvement in the financial asset transferred, and a corresponding liability is recognized.

If an entire transfer of a financial asset meets the criteria for derecognition, the difference between (1) the carrying value of the financial asset transferred at the date of derecognition; and (2) the sum of the consideration received from the transfer and the portion of the cumulative amount of changes in fair value directly previously recognized in other comprehensive income that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period. If part of a financial asset is transferred and the part transferred entirely meets the criteria for derecognition, the total carrying value of the financial asset immediately prior to the transfer is allocated between the part derecognized and the part not derecognized in proportion to their relative fair value at the date of transfer, and the difference between (1) the carrying value of the part derecognized; and (2) the sum of the consideration received from the transfer of the part derecognized and the portion of the cumulative amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period.

4. Determination of fair value of financial assets and financial liabilities

The Company adopts the valuation techniques applicable to the current situations and for which sufficient observable data and information are available to determine the fair value of financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques in the following levels and uses them in turn:

(1) Level 1 inputs: quoted market price (unadjusted) in an active market for an identical asset or liability available at the date of measurement;

(2) Level 2 inputs: inputs other than inputs included within Level 1 that are observable directly or indirectly. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, observable inputs other than quoted prices (such as interest rate and yield curves observable during regular intervals of quotation), and inputs validated by the market;

(3) Level 3 inputs: inputs that are unobservable. This category includes interest rate or stock volatility that cannot be directly observed or validated by observable market data, future cash flows from retirement obligation incurred in business mergers, and financial forecasts made using own data.

5. Impairment of financial instruments

The Company carries out impairment treatment and determines impairment losses of financial assets at amortized cost, investments in debt instruments at fair value with changes accrued to other comprehensive income, contract assets, lease receivables, loan commitments other than financial liabilities at fair value with changes accrued to current profit or loss, and financial guarantee contracts other than financial liabilities at fair value with changes accrued to current profit or loss and other than financial liabilities arising as a result of the transfer of financial assets that does not meet the criteria for derecognition or that continues being involved in the financial assets transferred, on the basis of expected credit losses.

Expected credit loss is the weighted average of credit losses on financial instruments taking into account the possibility of default. Credit loss is the present value of the difference between all contractual cash flows receivable under the contract and estimated future cash flows discounted at the original effective interest rate, i.e., the present value of all cash shortage, wherein the Company's purchased or originated financial assets that have become credit impaired are discounted at their credit-adjusted effective interest rate.

With respect to purchased or originated financial assets that have become credit impaired, at the balance sheet date, the Company recognizes a loss allowance equal to the cumulative amount of changes in lifetime expected credit losses since initial recognition.

With respect to receivables and contract assets arising from transactions within the scope of Accounting Standards for Business Enterprises No. 14 - Revenue, the Company applies the simplified approach and measures the loss allowance at an amount equal to lifetime expected credit losses.

With respect to financial assets not using the measurement methods stated above, at each balance sheet date, the Company assesses whether the credit risk has increased significantly since initial recognition, and recognizes a loss allowance equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or to the expected credit losses within the next 12 months if the credit risk has not increased significantly since initial recognition.

The Company uses reasonable and supportable information, including forward-looking information, and compares the possibility of default at the balance sheet date with the possibility of default upon initial recognition, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition.

At the balance sheet date, if the Company determines that a financial instrument has low credit risk, the Company assumes that its credit risk has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses of financial instruments individually or collectively. When assessing the financial instruments collectively, the Company includes the financial instruments in different groups according to their common risk characteristics.

At each balance sheet date, the Company re-assesses the expected credit losses, with the amount of increase in or reversal of loss allowance recognized in profit or loss for the current period as impairment losses or gains. With respect to a financial asset at amortized cost, its carrying value recorded in the balance sheet is written off against the loss allowance. With respect to an investment in debt instruments at fair value through other comprehensive income, the Company recognizes the loss allowance in other comprehensive income, without reducing its carrying value.

6. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial

asset and a financial liability shall be offset, and the net amount presented in the balance sheet when both of the following conditions are satisfied: (1) the Company has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (2) the Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred financial asset and the associated liability.

11. Recognition criteria and methods for provision for expected credit losses on receivables and contract assets

1. Receivables and contract assets with expected credit losses provided based on credit risk characteristic group

Group categories	Basis for grouping	Method for measuring expected credit losses
Bank acceptance bills receivable	Type of notes	Calculate the expected credit losses according to the default risk exposure and lifetime expected credit losses by reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions.
Commercial acceptance bills receivable		
Accounts receivables - grouping by age	Aging	Calculate expected credit losses by reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the comparison table prepared for receivables aging and expected credit loss rate
Contract assets - grouping by age		

2. Table of comparison of aging and expected credit loss rate of aging groups

Aging	Receivables and contract assets Rate of expected credit loss (%)	Other receivables Rate of expected credit loss (%)
Within 1 year (inclusive, same below)	5.00	5.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
3-4 years	50.00	50.00
Over 4 years	100.00	100.00

The aging of Accounts receivables, contract assets and other receivables is calculated from the month in which the amounts actually occur.

3. Identification criteria for Accounts receivables and contract assets with individual provision for expected credit losses

For receivables and contract assets whose credit risk is significantly different from that of combined credit risk, the company accrues expected credit losses on a single basis.

12. Inventories

1. Classification of inventories

Inventories include finished goods or merchandise held by the Company for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

2. Pricing methods of inventories transferred out

Inventories issued are measured using the weighted-average method calculated at month-end.

3. Inventory systems for inventories

The perpetual inventory system is adopted.

4. Amortization of low-value consumables and packing materials

The low-value consumables and packing materials are amortized using direct write-off method.

5. Recognition criteria and methods for provision for inventory write-downs

On the balance sheet date, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held directly for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of inventories to be processed is determined based on the amount of the estimated selling price of the finished goods produced less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; on the balance sheet date, when only part of the same item of inventories has agreed price while the other part does not, their net realizable value is determined separately and is compared with their respective costs to determine the provision for inventory write-down to be made or reversed.

13. Long-term equity investments

1. Judgment criteria of joint control and significant influence

Joint control is the agreed sharing of control over an arrangement, and the decision in relation to the relevant activities of such arrangement may only be made upon the unanimous consent of the parties sharing control. Significant influence is the power of the investing enterprise to participate in the financial and operating policy decisions of an investee, but is not control or joint control with other parties over the establishment of those policies.

2. Determination of investment cost

(1) In case of an equity investment acquired through a business merger involving entities under common control, if the acquirer pays consideration for the business merger by cash, transfer of non-cash assets, assumption of liabilities or issuance of equity securities, the initial investment cost of the long-term equity investment is the Company's share of the carrying value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller at the date of merger. The difference between the initial investment cost of the long-term equity investment and the carrying value of the consideration paid for the merger or the total par value of the shares issued (as applicable) is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

In case of a long-term equity investment acquired through a business merger involving entities under common control and through multiple transactions by steps, the Company judges whether they constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the initial investment cost is the Company's post-merger share of the carrying value of the net assets of the acquiree in the consolidated financial statements of the ultimate controller at the date of merger. The difference between the initial investment cost of the long-term equity investment at the date of merger and the sum of the carrying value of long-term equity investment before the merger and the carrying value of the consideration paid for acquisition of the additional shares at the date of merger is adjusted against the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

(2) In case of an equity investment acquired through a business merger not involving entities under common control, the initial investment cost is the fair value of the consideration paid for the merger at the date of acquisition.

With respect to a long-term equity investment acquired through a business merger not involving entities under common control that is achieved through multiple transactions by steps, the accounting treatment thereof in the separate financial statements is different from that in the consolidated financial statements as stated below:

1) In the separate financial statements, the initial investment cost for which the Company changes to the cost method is the sum of the carrying value of the long-term equity investment originally held and the cost of additional investment.

2) In the consolidated financial statements, the Company judges whether the transactions constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the Company remeasures the equity at fair value of the equity held in the acquiree prior to the date of acquisition, and records the difference between the fair value and the carrying value as investment income for the current period; if the equity held in the acquiree prior to the date of acquisition involves other comprehensive income under equity method, such other comprehensive income is transferred to the income of the period in which the date of acquisition falls, except for other comprehensive income arising from re-measurement by the investee of changes in net liabilities or net assets of defined benefit plans.

(3) In case of an equity investment not acquired through business merger, the initial investment cost is the purchase price actually paid if it is acquired by cash, or the fair value of the equity securities issued if it is acquired through issuance of equity securities, or is determined in accordance with the Accounting Standards for Business Enterprises No. 12 - Debt Restructuring if it is acquired through debt restructuring, or in accordance with the Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets if it is acquired through exchange of non-monetary assets.

3. Subsequent measurement and recognition of profit or loss

Long-term equity investments in investees are measured using the cost method. Long-term equity investments in associates and joint ventures are measured using the equity method.

4. Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary

(1) Determination basis of "package deal"

For the disposal of equity investment in a subsidiary to loss of control in stages through various transactions, the Company determines whether the step transactions are "package deal" according to clauses of trade agreements of each step transaction, the disposal consideration acquired at each transaction, the object for disposal of the equity, the disposal method and the disposal time. If the

clauses, conditions and economic influence of each transaction meet one or more of the following conditions, it usually represents the step transactions shall be "package deal":

1) The transactions are entered into at the same time or after considering the influence for each other;

2) The transactions can achieve a complete business result only when they are entered into as a whole;

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

4) A transaction is not economically viable but it is economically viable when considering with other transactions.

(2) Accounting treatment for non - "package deal"

1) Separate financial statements

The difference between the carrying value of the equity disposed of and the proceeds of disposal actually received is recognized in profit or loss for the current period. If the remaining equity empowers the Company to exercise significant influence or joint control over the investees, the remaining equity is accounted for using the equity method; if the remaining equity does not empower the Company to exercise control, joint control or significant influence over the investees, the remaining equity is accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

2) Consolidated financial statements

Prior to the loss of control, the difference between the proceeds from disposal and the share owned by the Company in the net assets of the subsidiary in relation to the long-term equity investment disposed of that is calculated continuously from the date of acquisition or merger is adjusted against the capital reserve (capital premium). In case the capital premium is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

When losing control over an original subsidiary, the remaining equity is remeasured at its fair value at the date of loss of control. The sum of the consideration received from the disposal of the equity and the fair value of the remaining equity, net of the share owned by the Company in the net assets of the subsidiary as calculated continuously from the date of acquisition or merger according to the previous shareholding ratio, is recognized in the investment income for the period in which the control is lost, and the goodwill is reduced accordingly. Other comprehensive income relating to the equity investment in the original subsidiary should be transferred to the investment income for the period in which the control is lost.

(3) Accounting treatment for "package deal"

1) Separate financial statements

The transactions as a whole are treated as one single transaction of disposal of a subsidiary and loss of control in accounting treatment. However, prior to the loss of control, the difference between each of the consideration of disposal and the carrying amount of the long-term equity investments corresponding to the disposed investment is recognised as other comprehensive income in separate financial statements and transferred to profit or loss for the period when the control is lost.

2) Consolidated financial statements

The Company accounts for such transactions as one transaction to dispose of and lose its control over the subsidiary, however, the difference between the proceeds from each disposal before loss of control and the share of the subsidiary's net assets in relation to the investment disposed of is recognized in other comprehensive income in individual financial statements, which is wholly transferred to the profit or loss in the period in which the control is lost.

14. Fixed assets

(1) Criteria for recognition

Fixed assets are tangible assets held for production of goods, rendering of services, lease or operation and management with a useful life of more than one accounting year. A fixed asset is recognized if the economic benefits relating to it are very likely to flow to the Company and its cost can be reliably measured.

(2) Depreciation

Category	Method of depreciation	Estimated useful life (years)	Residual value rate	Annual depreciation rate
Buildings and constructions	Straight line method	20	5%	4.75%
General equipment	Straight line method	3-5	5%	19.00%-31.67%
Specialized equipment	Straight line method	6-10	5%	9.50%-15.83%
Vehicles	Straight line method	4-5	5%	19.00%-23.75%

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15. Construction in progress

1. Construction in progress is recognized when it is probable that economic benefits will flow to the Company and the cost can be measured reliably. Construction in progress is measured at the actual costs incurred up to the date when the asset is ready for its intended use.

2. When construction in progress reaches the intended use, it is transferred to fixed assets at the actual cost of the project. Where construction in progress has reached the state ready for its intended use but completion settlement have not been completed, it is transferred to fixed assets initially at estimated value and subsequently adjusted to actual cost upon completion of completion settlement, without adjustment to depreciation previously provided.

Categories	Standards and timings for transferring construction in progress to fixed assets
Buildings and constructions	The main construction works and supporting works are substantially completed, meet the intended design requirements, and have been accepted
Machinery and equipment	Design requirements or contractual standards are met after installation and commissioning

16. Borrowing costs

1. Recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset. The amounts of other borrowing costs incurred are expensed when incurred and included in profit or loss for the current period.

2. Period of capitalization of borrowing costs

(1) A borrowing cost is capitalized when all of the following conditions are satisfied: 1) the expenditures on the asset have already been incurred; 2) the borrowing cost has already been incurred; and 3) the acquisition, construction or production activities necessary to prepare the asset for its intended use or sale have already commenced.

(2) Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The borrowing costs incurred during these periods are recognized as an expense for the current period until the acquisition, construction or production activity is resumed.

(3) When the qualifying asset being acquired, constructed or produced has become ready for its intended use or sale, the capitalization ceases.

3. Rate and amount of capitalization of borrowing costs

If funds are borrowed under a specific-purpose borrowing for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period (including amortized discount or premium determined using the effective interest method) less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. If funds are borrowed under general-purpose borrowings and are utilized for the acquisition, construction or production of a qualifying asset, the Company shall determine the amount of interest to be capitalized on such borrowings by multiplying a capitalization rate of the utilized general-purpose borrowings by the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings.

17. Intangible assets

(1) Useful lives and its determination basis, estimation, amortization method, or review procedures

1. Intangible assets, including land use rights, patents and non-patented technology, are initially measured at cost.

2. Intangible assets with finite useful lives are amortized systematically and reasonably over their useful lives based on the pattern in which the economic benefits associated with the intangible assets are expected to be realized. Where the pattern of realization cannot be reliably determined, the straight-line method is adopted. Details are as follows:

Item	Useful lives and its determination basis	Amortization method
Land use rights	The useful life is determined as 50 years based on the property rights registration period	Straight-line basis
Software	The useful life is determined to be 5-10 years based on the expected benefit period	Straight-line basis
Patent technology and trademarks	The useful life is determined to be 10 years based on the expected benefit period	Straight-line basis

(2) Consolidation scope of expenditure for research and development (R&D) and relevant accounting treatment method

3. Consolidation scope of expenditure for R&D

(1) Staff labor expenses

Staff labor expenses include wages and salaries, basic pension insurance premium, basic medical insurance premium, unemployment insurance premium, work injury insurance premium, maternity insurance premium and housing provident funds of the Company's R&D staff, as well as labor expenses of external R&D staff.

Labor expenses for R&D staff concurrently serving multiple R&D projects are recognized based on the work hour records of the R&D staff for each R&D project provided by the Company's management department, and are allocated in proportion among the different R&D projects.

For staff directly engaged in R&D activities and external R&D staff concurrently engaged in non-R&D activities, the Company allocates the actual staff labor expenses incurred based on the work hour records of the R&D staff at different posts between the R&D expenses and the production and operating expenses according to rational methods, such as the proportion of the actual work hours.

(2) Direct investment expenses

Direct investment expenses are the actual relevant expenditures incurred for the implementation of the Company's R&D activities. Such expenses include: 1) the expenses of materials, fuel and power directly consumed; 2) development and manufacturing expenses of molds and technical equipment for intermediate test and product trial production, the acquisition expenses of samples, prototypes and general testing methods which do not constitute fixed assets, and the inspection expenses of trial products; 3) the expenses for the operation and maintenance, adjustment, inspection, testing and repairs of instruments and equipment used in R&D activities.

(3) Depreciation expenses and long-term deferred expenses

Depreciation expenses are charges for the depreciation of instruments, equipment and buildings in use for R&D activities.

For instruments, equipment and buildings in use for R&D activities and at the same time for non-R&D activities, necessary records shall be kept on the use of such instruments, equipment and buildings in use, and the actual depreciation expenses incurred are allocated between R&D expenses and production and operating expenses by adopting rational methods based on factors such as the actual work hours and the usable area.

Long-term deferred expenses refer to the long-term deferred expenses incurred in the process of reconstruction, modification, refurbishment and repair of R&D facilities, which are consolidated according to the actual expenditure and amortized evenly in installments within the specified period.

(4) Amortization expense of intangible assets

Amortization expense of intangible assets refers to the amortization expense of software, intellectual property and non-patented technologies (proprietary technologies, licenses, design and calculation methods, etc.) used in R&D activities.

(5) Design expenses

Design expenses refer to the expenses incurred for the conceptualization, development and manufacturing of new products and processes, the formulation of processes, technical specifications, procedures, and the design of operational characteristics, including the expenses related to the creative design activities for obtaining innovative, creative and breakthrough products.

(6) Equipment commissioning expenses and trial expenses

Equipment commissioning expenses refer to the expenses incurred in R&D activities during the preparation of tooling, including the expenses incurred in the development of specialized production machines, changes in production and quality control procedures, or the formulation of new methods and standards.

The expenses incurred for regular tooling preparation and industrial engineering for large-scale batch and commercial production are not included in the consolidation scope.

Trial expenses include clinical trial fees for new drug development, field trial fees for exploration and development technologies, field test fees, and similar costs.

(7) Entrusted external R&D expenses

Entrusted external R&D expenses refer to the expenses incurred by the Company in entrusting other domestic or overseas institutions or individuals to conduct R&D activities (the results of R&D activities are owned by the Company and are closely related to the Company's major operating business).

(8) Other expenses

Other expenses refer to other expenses directly related to R&D activities in addition to the above expenses, including technical books and reference materials, information translation, expert consultation, high-tech R&D insurance premiums, expenses for the retrieval, argumentation, assessment, appraisal and acceptance of R&D results and for the application, registration, agencies, conference, travelling, communication of intellectual property.

4. Expenditure on the research phase of internal R&D projects is expensed as incurred. Expenditure on the development phase of internal R&D projects is recognized as an intangible asset when all of the following conditions are satisfied: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is an intention to complete the intangible asset and use or sell it; (3) the manner in which the intangible asset will generate economic benefits can be demonstrated, including the ability to demonstrate that there is a market for the output to be produced using the intangible asset or for the intangible asset itself, or, where the intangible asset is to be used internally, its usefulness can be demonstrated; (4) adequate technical, financial and other resources are available to complete the development of the intangible asset and the ability exists to use or sell the intangible asset; and (5) expenditure attributable to the development phase of the intangible asset can be measured reliably.

18. Impairment of long-term assets

With respect to long-term equity investments, fixed assets, construction in progress, intangible assets with a finite useful life, and other long-term assets, if there is an indication of impairment at the balance sheet date, the Company assesses their recoverable amount. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, goodwill is considered together with the related asset groups or sets of asset groups.

If the recoverable amount of the long-term asset above is lower than its carrying value, the difference is measured as impairment loss of the asset and recognized in profit or loss for the current period.

19. Long-term deferred expenses

Long-term deferred expenses are expenses that have already been incurred but should be amortized over a period of more than one year (exclusive). Long-term deferred expenses are stated as incurred and are amortized evenly by stages within the benefit period or specified period. If an item of long-term deferred expenses will not benefit the subsequent accounting periods, the amortized value of the item that has not yet been amortized is wholly transferred to profit or loss for the current period.

20. Employee benefits

(1) Accounting treatment of short-term employee benefits

The Company recognizes the short-term benefits actually incurred during the accounting period when the employees provide services for the Company as liabilities, and include the same in profit or loss for the current period or as part of the cost of related assets.

(2) Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

(1)The Company recognizes the contributions payable as calculated based on the defined contribution plan during the accounting period when the employees provide services for the Company as liabilities, and include the same in profit or loss for the current period or as part of the cost of related assets.

(2) The accounting treatment of a defined benefit plan generally involves the following steps:

1) According to the projected unit credit method, use the unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, measure the obligation arising from the defined benefit plan and determine the period to which the relevant obligation belongs. Meanwhile, the obligation arising from the defined benefit plan is discounted, in order to determine the present value of the benefit plan obligation and the current service cost;

2) If the defined benefit plan has assets, the deficit or surplus resulting after reducing the present value of the defined benefit plan obligation by the fair value of the assets is recognized as a net liability or asset of the defined benefit plan. If the defined benefit plan has a surplus, the net assets of the defined benefit plan are measured at the lower of surplus in the defined benefit plan and asset ceiling;

3) At the end of the reporting period, the cost of employee benefits arising from the defined benefit plan is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, and changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan, wherein the service cost and the net interest on the net liabilities or net assets of the defined benefit plan are included in profit or loss for the current period or the cost of related assets, and the changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, which will not be converted back to profit or loss in subsequent periods, but those recognized as other comprehensive income may be transferred within the scope of equity.

(3) Accounting treatment of termination benefits

The Company recognizes the liabilities for employee benefits generated by termination benefits and records them into the profit or loss for the current period at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the termination benefits provided as a result of the labor relationship termination plan or layoff proposal; or (2) when the Company recognizes the costs or expenses related to the restructuring of the termination benefits payment.

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

Other long-term employee benefits are accounted for in accordance with the provisions applicable to defined contribution plans if they are qualified as defined contribution plans or otherwise, are accounted for in accordance with the provisions applicable to defined benefit plans. In order to simplify the accounting treatment, the total net amount of the cost of employee benefits arising from the defined benefit plans that is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan and other components is included in profit or loss for the current period or the cost of related assets.

21. Estimated liabilities

1. An obligation arising from any external guarantee, litigation, product quality warranty, onerous contract or other contingencies is recognized as an estimated liability if it is a present obligation assumed by the Company, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured.

2. Estimated liabilities are initially measured according to the best estimates of the expenditures required to settle the related present obligations. The carrying value of provisions is reviewed at the balance sheet date.

22. Share-based payment

1. Category of share-based payment

Share-based payment includes equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment related to the implementation, modification and termination of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment transactions with employees that vest immediately upon grant, the fair value of the equity instruments at the grant date is recognized in the relevant costs or expenses with a corresponding adjustment to capital reserve. For equity-settled share-based payment transactions with employees that vest upon completion of service during the vesting period or achievement of specified performance conditions, at each balance sheet date during the vesting period, the services obtained during the period are recognized in the relevant costs or expenses at the fair value of the equity instruments at the grant date based on the best estimate of the number of equity instruments expected to vest, with a corresponding adjustment to capital reserve.

For equity-settled share-based payment transactions in exchange for services from parties other than employees, if the fair value of the services from other parties can be measured reliably, it is measured at the fair value of such services at the date the services are obtained; if the fair value of the services from other parties cannot be measured reliably but the fair value of the equity instruments can be measured reliably, it is measured at the fair value of the equity instruments at the date the services are obtained and recognized in the relevant costs or expenses with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees that vest immediately upon grant, the fair value of the liability assumed by the Company at the grant date is recognized in the relevant costs or expenses with a corresponding increase in liabilities. For cash-settled share-based payment transactions with employees that vest upon completion of service during the vesting period or achievement of specified performance conditions, at each balance sheet date during the vesting period, the services obtained during the period are recognized in the relevant costs or expenses and corresponding liabilities at the fair value of the liability assumed by the Company based on the best estimate of the vesting conditions.

(3) Modification and termination of share-based payment plans

If a modification increases the fair value of the equity instruments granted, the Company recognizes correspondingly the increase in services received based on the increase in the fair value of the equity instruments; if a modification increases the number of equity instruments granted, the Company recognizes correspondingly the fair value of the additional equity instruments as an increase in services received; if the Company modifies the vesting conditions in a manner that is beneficial to employees, the Company takes into account the modified vesting conditions when considering the vesting conditions.

If a modification decreases the fair value of the equity instruments granted, the Company continues to recognize the amount of services received based on the fair value of the equity instruments at the grant date without taking into account the decrease in fair value of the equity instruments; if a modification decreases the number of equity instruments granted, the Company treats the decrease as a cancellation of the equity instruments granted; if the vesting conditions are modified in a manner that is not beneficial to employees, the modified vesting conditions are not taken into account when considering the vesting conditions.

If the Company cancels or settles the equity instruments granted during the vesting period (other than those cancelled due to failure to satisfy vesting conditions), the cancellation or settlement is treated as an acceleration of vesting, and the amount that would otherwise have been recognized over the remainder of the vesting period is recognized immediately.

23. Other financial instruments such as preference shares and perpetual bonds

In accordance with the relevant standards for financial instruments, for financial instruments such as convertible bonds issued, the Company classifies such financial instruments or their component parts as financial assets, financial liabilities or equity instruments at initial recognition based on the substance of the contractual arrangements of the financial instruments issued and their economic substance rather than merely their legal form, in combination with the definitions of financial assets, financial liabilities and equity instruments.

On the balance sheet date, for financial instruments classified as equity instruments, their interest expense or dividend distribution is treated as profit distribution of the Company, and their repurchase, cancellation, etc. are treated as changes in equity; for financial instruments classified as financial liabilities, their interest expense or dividend distribution is treated as borrowing costs, and gains or losses arising from their repurchase or redemption are recognized in profit or loss for the period.

24. Revenue

Accounting policies adopted for the recognition and measurement of revenues disclosed by type of business

1. Revenue recognition

At the inception of the contract, the Company evaluates the contract, identifies each single performance obligation contained therein and determines whether each single performance obligation is performed over time or at a point in time.

When meeting one of the following criteria, it belongs to the obligation performed over time, otherwise it constitutes the obligation performed at a point in time: (1) the customer obtains and consumes the economic benefits generated by the Company's performance when the Company performs the contract; (2) the customer can control the products under construction in the process of the Company's performance; (3) the products produced in the process of the Company's performance have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance that has been completed up to date throughout the term of the contract.

For the obligation performed over time, the Company recognizes the revenue based on the performance progress over time. When the performance progress cannot be reasonably determined, and the costs incurred are expected to be recoverable, revenue is recognized to the extent of costs incurred until the performance progress can be reasonably determined. For the obligation performed at a point in time, the revenue is recognized at the time point when the customer obtains the control of the related goods or services. When judging whether the customer has obtained the control of goods, the Company considers the following signs: (1) the Company has the current right to receive payment for such goods, that is, the customer has the current obligation to make payment for such goods; (2) the Company has transferred the legal ownership of such goods to the customer, that is, the customer has the legal ownership of such goods; (3) the Company has transferred such goods to the customer physically, that is, the customer has taken possession of such goods physically; (4) the Company has transferred major risks and rewards of such goods to the customer, that is, the customer has obtained major risks and rewards of such goods; (5) the customer has accepted such goods; and (6) other signs that the customer has obtained control of such goods.

2. Revenue measurement

(1) The Company measures revenue based on the transaction price allocated to each single performance obligation. The transaction price is the amount of consideration to which the Company is entitled arising from the transfer of goods or services to the customer, excluding the amount collected on behalf of a third party and expected to be returned to the customer.

(2) If there is variable consideration in the contract, the Company determines the best estimate of the variable consideration based on the expected value or the most likely amount. However, variable consideration is included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal of accumulatively recognized revenue in the future when the uncertainty has been subsequently resolved.

(3) If there is a major financing component in the contract, the Company determines the transaction price based on the presumed amount payable in cash when the customer obtains the control of goods or services. The difference between that transaction price and the contract consideration is amortized over the period of the contract using the effective interest method. If at the inception of the contract, the Company expects that the customer's acquisition of control of goods or services is not more than one year from the customer's payment therefor, the major financing component in the contract will not be considered.

(4) If the contract has two or multiple performance obligations, the Company allocates the transaction price to each single performance obligation in the contract by reference to relative standalone selling prices of goods promised thereby.

3. Specific methods for revenue recognition

(1) Export sales

1) Primary export sales model: The Company enters into sales orders with customers with delivery terms generally on an FOB (Free on Board), DAP (Delivered at Place) or EXW (Ex Works) delivery basis, and engages third parties to handle customs declaration for export. Under FOB terms, revenue from export sales is recognized at the time of customs declaration and obtaining the bill of lading, with the corresponding product costs recognized concurrently; under DAP terms, revenue from export sales is recognized upon receipt of the confirmation issued by the customer after goods receipt and acceptance, with the corresponding product costs recognized concurrently; under EXW terms, revenue from export sales is recognized when the product is delivered to the carrier designated by the customer at the factory, with the corresponding product costs recognized concurrently.

2) Vendor-managed inventory export sales model: Certain customers implement zero inventory management, and such customers settle with the Company based on actual monthly usage. The Company recognizes revenue based on the settlement statements issued by the customers, with the corresponding product costs recognized concurrently.

(2) Domestic sales

1) Primary domestic sales model: The Company delivers products to locations designated by customers in accordance with the agreements, the customers are responsible for receipt and acceptance of the products, and regular reconciliations and settlements are conducted with the Company (typically monthly). The Company recognizes revenue based on the reconciliation, with the corresponding product costs recognized concurrently.

2) Vendor-managed inventory domestic sales model: Certain customers implement zero inventory management, and such customers settle with the Company based on actual monthly usage. The Company recognizes revenue based on the settlement statements, with the corresponding product costs recognized concurrently.

Different business models within the same kind of business involve distinct revenue recognition approaches and measurement methods

N/A.

25. Contract assets and contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company presents contract assets and contract liabilities under the same contract as net amount after they offset each other.

The Company presents the right of the Company to charge consideration from the customer unconditionally (i.e. only depends on the passage of time) as a receivable, while the consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is presented as a contract asset.

The Company presents the portion of the obligation to transfer goods to customers for consideration received or receivable from customers as a contract liability.

26. Government grants

1. Government grants are recognized if (1) the Company meets the conditions attached to the government grants; and (2) the Company will receive the government grants. If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount.

2. Determination and accounting treatment of government grants related to assets

Government grants related to assets are government grants which are offered for purchasing, constructing or otherwise acquiring long-term assets as provided by the applicable government documents, or in the absence of such express provision in the applicable government documents, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire long-term assets. The government grants related to assets are offset against the carrying value of the related assets or recognized as deferred income. Government grants related to assets recognized as deferred income are included in profit or loss over the service life of the relevant assets on a reasonable and systematic basis. Government grants measured at nominal amount are directly recognized in profit or loss for the current period. In case of sale, transfer, retirement or damage of the relevant assets before the end of intended service life, the balance of the unallocated deferred income is transferred to profit or loss for the period in which the assets are disposed of.

3. Determination and accounting treatment of government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to both assets and income in which it is difficult to make a distinction between the portion related to assets and the portion related to income are wholly classified as government grants related to income. Government grants related to income as compensation for expenses or losses to be incurred in subsequent periods are recognized as deferred income and in the period for recognizing the relevant costs, expenses or losses, included in profit or loss for the current period or offset against the relevant costs. Government grants related to income as compensation for expenses or losses already incurred are directly included in profit or loss for the current period or offset against the relevant costs.

4. Government grants related to day-to-day operations of the Company are recognized in other income or offset against the relevant costs and expenses depending on the nature of economic business. Government grants not related to day-to-day operations of the Company are recognized in non-operating revenues or expenses.

5. Accounting treatment of policy preferential loans and interest subsidies

(1) If the Ministry of Finance appropriates the interest subsidies to the lending bank, and then the lending bank offers a loan to the Company at the policy-based preferential interest rate, the Company recognizes the loan amount actually received as the recorded amount of the loan, and calculates the borrowing costs according to the loan principal and such policy-based preferential interest rate.

(2) If the Ministry of Finance directly appropriates the interest subsidies to the Company, the Company offsets the corresponding interest subsidy against the related borrowing costs.

27. Deferred tax assets / deferred tax liabilities

1. The difference between the tax base of an asset or liability and its carrying value (or in case of an item not recognized as asset or liability whose tax base can be determined according to the applicable tax law, the difference between its tax base and carrying value), is recognized as a deferred tax asset or deferred tax liability according to the tax rate applicable to the period in which the asset or liability is expected to be recovered or settled.

2. Deferred income tax assets are recognized to the extent of the amount of income tax payable that will be available in future periods against which deductible temporary differences are deductible. At the balance sheet date, deferred tax assets not recognized in prior periods are recognized if there is conclusive evidence that it is probable that sufficient taxable income will be available in future periods against which the deductible temporary differences are deductible.

3. At the balance sheet date, the carrying value of a deferred tax asset is reviewed. The Company reduces the carrying value of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of the deferred tax asset to be utilized. Any such reduction in amount is reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. Current and deferred tax of the Company is recognized as income or an expense and included in profit or loss for the current period, except to the extent that the tax arises from: (1) business merger; or (2) a transaction or event which is recognized directly in owner's equity.

5. When the following conditions are met at the same time, the Company presents the deferred income tax assets and deferred income tax liabilities as the net amount after offsetting: (1) the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis; (2) the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department on the same taxable entity or related to different taxable entities, but the involved taxable entities intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and pay off debts simultaneously in each future period in which significant deferred income tax assets and deferred income tax liabilities are reversed.

28. Lease

(1) Accounting treatment for leases as a lessee

At the commencement date of the lease term, the Company recognizes a lease with a lease term not more than 12 months that includes no purchase option as short-term lease; and a lease at lower value when the individually leased asset is brand-new as low-value asset lease. If the Company subleases or expects to sublease the leased assets, the original lease is not recognized as a low-value asset lease.

For all short-term lease and low-value asset lease, the Company recognizes the lease payments in the cost of relevant assets or profit or loss for the current period on a straight-line basis over the term of the relevant lease.

Except the above short-term leases and low-value asset leases subject to simplified treatment, the Company recognizes the right of use assets and lease liabilities on the lease at the commencement date of the lease period.

(1) Right of use assets

The right of use asset is initially measured at cost, which includes: 1) the initially measured amount of the lease liability; 2) the lease payments made on or before the commencement date of the lease term less the amount related to lease incentives (if any); 3) the initial direct costs incurred by the lessee; 4) the costs that the lessee expects to incur in order to dismantle and remove the leased asset, restore the site where the leased asset locates, or restore the leased asset to the condition agreed upon in the lease terms.

The Company depreciates the right of use asset on a straight-line basis. If it reasonably ensures that ownership of the leased assets will be obtained at the expiry of the lease term, the Company will depreciate the leased assets over their remaining useful lives. If not, the Company will depreciate the leased asset over the shorter of the lease term or the remaining useful life of the leased asset.

(2) Lease liabilities

At the commence date of the lease term, the Company recognizes the present value of the outstanding lease payments as a lease liability. When calculating the present value of lease payments, the interest rate in the lease is determined as the discount rate. If the interest rate in the lease is unavailable, the Company's incremental borrowing rate is determined as the discount rate. The difference between the lease payments and their present value is recognized as an unrecognized financing expense, with interest expenses recognized at the discount rate used to recognize the present value of the lease payments and charged to profit or loss for the current period over the term of the relevant lease. The variable lease payments not measured as the lease liability are recognized in profit or loss when they are actually incurred.

After the commencement date of the lease term, when there is a change in the substantive fixed payments, the expected amount payable for the guaranteed residual value, the index or rate used to determine the lease payments, or the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Company will remeasure the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right of use asset accordingly. If the carrying amount of the right of use asset has been reduced to nil but the lease liability still needs to be further reduced, the remaining amount will be recognized in profit or loss for the current period.

(2) Accounting treatment for leases as a lessor

On the commencement date of the lease, leases that transfer substantially all the risks and rewards of ownership of the leased asset are classified as finance leases, while others are classified as operating leases.

(1) Operating leases

The Company recognizes the lease receivables as rental income on a straight-line basis over the lease term, and the initial direct

expenses are capitalized and allocated on the same basis as that for the recognition of rental income and are charged in profit or loss in instalments. The variable lease payments received by the Company that are associated with the operating lease and are not included in the lease receivables are credited in the profit or loss when incurred.

(2) Finance leases

At the commence date of the lease term, the Company recognizes the finance lease payments receivable in accordance with the net lease investment (sum of the unguaranteed balance and the lease payment not received on the commencement date of the lease period based on the present value discounted at the inherent interest rate of the lease), and derecognizes the finance lease assets. At each phase of the lease period, the Company calculates and recognizes the interest income at the inherent interest rate of the lease.

The amount of variable lease payments obtained by the Company that are not accrued to the measurement of net lease investment is accrued to the current profit or loss when actually incurred.

(3) Leaseback

(1) The Company as a lessee

The Company evaluates and determines whether the asset transfer in the sale and leaseback transactions is a sale or not in accordance with Accounting Standards for Business Enterprises No. 14 – Revenue.

If the asset transfer in the sale and leaseback transaction belongs to the sale, the Company measures the right-of-use assets formed by the sale and leaseback according to the book value of the original assets related to the right to use obtained in the leaseback, and recognizes the relevant gains or losses only for the right transferred to the lessor.

If the transfer of assets in the sale and leaseback transaction does not belong to the sale, the Company continues to recognize the transferred assets, at the same time recognize a financial liability equal to the transfer income, and carry out accounting treatment for the financial liability in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

(2) The Company as a lessor

The Company evaluates and determines whether the asset transfer in the sale and leaseback transactions is a sale or not in accordance with Accounting Standards for Business Enterprises No. 14 – Revenue.

If the asset transfer in the sale and leaseback transaction belongs to the sale, the Company shall account for the asset purchase according to other applicable accounting standards for business enterprises, and account for the asset lease according to Accounting Standards for Business Enterprises No.21 - Lease.

If the transfer of assets in the sale and leaseback transaction does not belong to the sale, the Company does not recognize the transferred assets, but recognize a financial asset equal to the transfer income, and carry out accounting treatment for the financial asset in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

29. Segment reporting

The Company determines the operating segments on the basis of the internal organizational structure, management requirements and internal reporting system. The operating segments of the Company refer to the component that meets all of the following conditions:

1. The component is able to generate income and incur expenses in daily activities;
2. The management is able to regularly evaluate the operating results of the segment to determine the allocation of resources and assess its performance;
3. The financial position, operating results, cash flow and other relevant accounting information of the segment can be obtained through analysis.

30. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

□Applicable ☑N/A

(2) Changes in significant accounting estimates

□Applicable ☑N/A

(3) Adjustments to relevant items in the opening financial statements for the year of initial application due to the first-time adoption of new accounting standards, effective from 2025

□Applicable ☑N/A

VI. Taxes

1. Major categories of taxes and tax rates

Tax type	Taxation basis	Tax rate

VAT	VAT payable is the output tax based on the sale of goods and taxable labor income calculated pursuant to the tax law, net of the input tax that is allowed to be deducted in the current period.	13%, 9%, 6%
Urban maintenance and construction tax	Actually paid turnover tax	5%, 7%
Enterprise income tax	Taxable income	15%, 16.5%, 20%, 25%
Property tax	If it is levied on an ad valorem basis, the tax is calculated as 1.2% of the remaining value after deducting 30% of the original value of the property; if it is levied subject to rent, the tax is calculated as 12% of the rental income.	1.2%, 12%
Education surcharges	Actually paid turnover tax	3%
Local education surcharges	Actually paid turnover tax	2%

Disclosure of taxpayers with different rates of enterprise income tax:

Taxpayer	Rate of income tax
The Company	25%
Zhejiang Haolong Electric Co., Ltd. (浙江昊龍電氣有限公司) (hereinafter referred to as Haolong Electric Company)	15%
Tuson Precision Machinery (Jiaxing) Co., Ltd.(杜商精機（嘉興）有限公司) (hereinafter referred to as Tuson Precision)	15%
Zhejiang Fenglong Technology Co., Ltd. (杭州鋒龍科技有限公司) (hereinafter referred to as Hangzhou Fenglong Company)	15%
Hangzhou Fenglong Technology Co., Ltd. (浙江鋒龍科技有限公司) (hereinafter referred to as Fenglong Technology Company)	20%
Zhejiang Maisheng Machinery Co., Ltd. (浙江麥勝機械有限公司) (hereinafter referred to as Maisheng Machinery Company)	20%
Zhejiang Yichuang Technology Co., Ltd. (浙江毅闖科技有限公司) (hereinafter referred to as Yichuang Technology Company)	20%
Fenglong HK Company	16. 5%

2. Tax incentives

1. Export goods are subject to the VAT "exemption, credit and refund" policy. The Company's export VAT refund rates are 13% and 10%.

2. According to the Announcement on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 6 [2023] of the Ministry of Finance and the State Taxation Administration) and the Announcement on the Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises (Announcement No. 13 [2022] of the Ministry of Finance and the State Taxation Administration), Hangzhou Fenglong Company, Maisheng Machinery Company and Yichuang Technology Company meet the standard of small and low-profit enterprises and pay enterprise income tax at a rate of 20%.

3. Tax incentives for high and new technology enterprises

Name of taxpayer	Date of high and new technology enterprise qualification recognition	Validity period	High-tech enterprise certificate number	Applicable tax rate
Haolong Electric Company	2024	2024-2026	GR202433005938	15%
Tuson Precision	2022	2022-2024	GR202233002714	15%
Fenglong Technology Company	2023	2023-2025	GR202333002612	15%

Tuson Precision was still undergoing the re-evaluation process for its High and New Technology Enterprise ("HNTE") qualification for the period from January to June 2025. In accordance with the provisions of Announcement No. 4 [2011] of the State Taxation Administration, it continued to make provisional corporate income tax payments at the rate of 15%.

VII. Notes to Items in the Consolidated Financial Statements

1. Cash at bank and on hand

In RMB

Item	Closing balance	Opening balance
Cash on hand	135,838.26	73,989.34
Bank deposits	131,261,523.27	157,748,202.35
Other monetary funds	11,462,501.56	5,164,094.34
Total	142,859,863.09	162,986,286.03
Incl.: Total amount of funds deposited overseas	12,001,711.89	12,370,304.93

Other information

Description of restricted funds

Item	Closing balance	Opening balance
Deposits for bank acceptances	11,457,916.18	5,159,943.38
Sub-total	11,457,916.18	5,159,943.38

2. Financial assets held for trading

In RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	168,000,000.00	107,050,000.00
Incl.:		
Wealth management products	168,000,000.00	107,050,000.00
Incl.:		
Total	168,000,000.00	107,050,000.00

Other information

3. Receivables

(1) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	146, 271, 662. 42	147, 809, 094. 33
1-2 years	800, 055. 43	2, 085, 386. 75
2-3 years	2, 439, 651. 19	1, 714, 583. 33
Over 3 years	129, 725. 85	
3-4 years	129, 725. 85	
Total	149, 641, 094. 89	151, 609, 064. 41

(2) Disclosure classified by bad debt provision method

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Receivables for which the provision for bad debts is made by individual						16, 071. 31	0. 01%	16, 071. 31	100. 00%	
Incl.:										
Receivables for which the provision for bad debts is made by group	149, 641, 094. 89	100. 00%	8, 190, 346. 94	5. 47%	141, 450, 747. 95	151, 592, 993. 10	99. 99%	8, 112, 564. 82	5. 35%	143, 480, 428. 28
Incl.:										
Total	149, 641, 094. 89	100. 00%	8, 190, 346. 94	5. 47%	141, 450, 747. 95	151, 609, 064. 41	100. 00%	8, 128, 636. 13	5. 36%	143, 480, 428. 28

Category name for provisions for bad debts on group basis : Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	146, 271, 662. 42	7, 313, 583. 12	5. 00%
1-2 years	800, 055. 43	80, 005. 54	10. 00%
2-3 years	2, 439, 651. 19	731, 895. 36	30. 00%
3-4 years	129, 725. 85	64, 862. 92	50. 00%
Total	149, 641, 094. 89	8, 190, 346. 94	

Description of basis for determining the group:

If the provision for bad debts on receivables is made in accordance with the general model of expected credit loss:

☐Applicable☑N/A

(3) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts on individual basis	16, 071. 31		16, 071. 31			
Provisions for bad debts on group basis	8, 112, 564. 82	77, 782. 12				8, 190, 346. 94
Total	8, 128, 636. 13	77, 782. 12	16, 071. 31			8, 190, 346. 94

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reason for reversal	Method of recovery	Basis and rationality of determining the proportion of original bad debt provision

(4) Accounts receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant Accounts receivables that are written off:

In RMB

Entity	Nature of Accounts receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of write-off of Accounts receivables:

No significant Accounts receivables was written off in the current period.

(5) Top five closing balances of Accounts receivables and contract assets categorized by debtor

In RMB

Entity	Closing balance of Accounts receivables	Closing balance of contract assets	Closing balance of Accounts receivables and contract assets	Proportion of total closing balance of Accounts receivables and contract assets	Closing balance of provision for bad debts of Accounts receivables and provision for impairment of contract assets
Weichai Power Co., Ltd.	19, 373, 573. 14	815, 644. 56	20, 189, 217. 70	13. 11%	1, 009, 525. 30
Caterpillar	19, 061, 673. 53		19, 061, 673. 53	12. 38%	953, 083. 68
Husqvarna AB	18, 994, 748. 45		18, 994, 748. 45	12. 34%	949, 737. 42
MUVIQ S.R.L	15, 396, 994. 16		15, 396, 994. 16	10. 00%	769, 849. 71
ANDREAS STIHL AG&CO.KG	10, 264, 356. 50		10, 264, 356. 50	6. 67%	513, 217. 83
Total	83, 091, 345. 78	815, 644. 56	83, 906, 990. 34	54. 50%	4, 195, 413. 94

4. Contract assets

(1) Status of contract assets

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provisions for bad debts	Carrying value	Book balance	Provisions for bad debts	Carrying value
Warranty receivables	4, 301, 644. 56	215, 082. 23	4, 086, 562. 33	6, 612, 939. 68	629, 550. 21	5, 983, 389. 47
Total	4, 301, 644. 56	215, 082. 23	4, 086, 562. 33	6, 612, 939. 68	629, 550. 21	5, 983, 389. 47

(2) Disclosure classified by bad debt provision method

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Receivables for which the provision for bad debts was made by individual						314,634.97	4.76%	314,634.97	100.00%	
Incl.:										
Provision for bad debts on group basis	4,301,644.56	100.00%	215,082.23	5.00%	4,086,562.33	6,298,304.71	95.24%	314,915.24	5.00%	5,983,389.47
Incl.:										
Total	4,301,644.56	100.00%	215,082.23	5.00%	4,086,562.33	6,612,939.68	100.00%	629,550.21	9.52%	5,983,389.47

Category name for provisions for bad debts on group basis: Aging group

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	4,301,644.56	215,082.23	5.00%
Total	4,301,644.56	215,082.23	

Description of basis for determining the group:
Provision for bad debts based on the general model of expected credit losses

□Applicable ☑N/A

(3) Provision, recovery or reversal of provision for bad debts for the current period

In RMB

Item	Provision for the current period	Recovery or reversal for the current period	Charge-off/Write-off for the current period	Reason
Provision for impairment on individual basis		314,634.97		
Provision for impairment on group basis	-99,833.01			
Total	-99,833.01	314,634.97		

Of which significant amounts of bad debt provisions recovered or reversed during the current period:

In RMB

Entity	Amounts of recovery or reversal	Reason for reversal	Method of recovery	Basis and rationality of determining the proportion of original bad debt provision

Other information

(3) Details of contract assets actually written off during the current period

In RMB

Item	Write-off amount

Details of significant contract asset write-offs

In RMB

Entity	Nature of amount	Amount of written off	Reason for write-off	Write-off procedures performed	Whether it is due to the related party transaction

Contract asset write-off description:

There are no contract assets written off in the current period.

Other information:

5. Financing receivables

(1) Classification of financing receivables

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills	22,694,101.70	24,768,989.48
Total	22,694,101.70	24,768,989.48

(2) Disclosure classified by bad debt provision method

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl.:										
Provision for bad debts on group basis	22,694, 101.70	100.00%			22,694, 101.70	24,768,989.48	100.00%			24,768, 989.48
Incl.:										
Bank acceptance bills	22,694, 101.70	100.00%			22,694, 101.70	24,768, 989.48	100.00%			24,768, 989.48
Total	22,694, 101.70	100.00%			22,694, 101.70	24,768, 989.48	100.00%			24,768, 989.48

Category name for provision for bad debts on group basis:

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Bank acceptance bills	22,694,101.70		
Total	22,694,101.70		

Description of basis for determining the group:

Provision for bad debts based on the general model of expected credit losses

In RMB

Provisions for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in the following 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Balance as at January 1, 2025 during the current period				

Basis of segregation and bad debt provisioning ratio by stages

Description for the significant changes in the book balance of financing receivables for which the loss provisions have changed during the current period:

(3) Financing secured by pledged receivables at period end

In RMB

Item	Amount pledged at period end
Bank acceptance bills	3,150,668.88
Total	3,150,668.88

(4) Financing receivables endorsed or discounted at period end and not yet matured at the balance sheet date

In RMB

Item	Amount derecognized at period end	Amount not derecognized at period end
Bank acceptance bills	23,345,512.33[1]	
Total	23,345,512.33	

Note: 1 The acceptors of bank acceptance bills are commercial banks with high credit standing, and the possibility of bank acceptance bills accepted by it will not be paid at maturity is low. Therefore, the Company derecognizes bank acceptance bills that have been endorsed or discounted. However, if such bills are dishonored at maturity, in accordance with the Negotiable Instruments Law, the Company will remain jointly and severally liable to the holder.

6. Other receivables

In RMB

Item	Closing balance	Opening balance
Other receivables	795,560.88	1,263,357.86
Total	795,560.88	1,263,357.86

(1) Other receivables

1) Category of other receivables by nature

In RMB

Nature	Closing book balance	Opening book balance
Export VAT refund receivable	450,934.39	941,077.50
Petty cash	484,500.00	315,000.00
Security deposit	152,913.92	127,650.00
Receivables of temporary payments	5,630.00	196,150.24
Total	1,093,978.31	1,579,877.74

2) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	730,948.31	1,214,297.74
1-2 years	52,800.00	59,750.00
2-3 years	55,200.00	80,000.00
Over 3 years	255,030.00	225,830.00
3-4 years	250,000.00	220,000.00
4-5 years		5,000.00
Over 5 years	5,030.00	830.00
Total	1,093,978.31	1,579,877.74

3) Disclosure classified by bad debt provision method

☑Applicable □N/A

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Provision for bad debts on individual basis	220,000.00	20.11%	220,000.00	100.00%		220,000.00	13.93%	220,000.00	100.00%	
Incl.:										
Provision for bad debts on group basis	873,978.31	79.89%	78,417.43	8.97%	795,560.88	1,359,877.74	86.07%	96,519.88	7.10%	1,263,357.86
Incl.:										
Total	1,093,978.31	100.00%	298,417.43	27.28%	795,560.88	1,579,877.74	100.00%	316,519.88	20.03%	1,263,357.86

Category name for provisions for bad debts on group basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	730,948.31	36,547.43	5.00%
1-2 years	52,800.00	5,280.00	10.00%
2-3 years	55,200.00	16,560.00	30.00%
3-4 years	30,000.00	15,000.00	50.00%
Over 5 years	5,030.00	5,030.00	100.00%
Total	873,978.31	78,417.43	

Description of basis for determining the group:

Provision for bad debts based on the general model of expected credit losses:

In RMB

Provisions for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in the following 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Balance as at January 1, 2025	60,714.88	5,975.00	249,830.00	316,519.88
Balance as at January 1, 2025 during the current period				
-Transferred to stage II	-1,500.00	1,500.00		
-Transferred to stage III		-520.00	520.00	
Provision for the current period	-22,667.45	-1,675.00	6,240.00	-18,102.45
Balance as at June 30, 2025	36,547.43	5,280.00	256,590.00	298,417.43

Basis of segregation and bad debt provisioning ratio by stages

Basis of segregation by stages: On each balance sheet date, the Company measures the expected credit losses of financial instruments at different stages separately. If the credit risk of a financial instrument has not increased significantly since initial recognition, it is in the first stage, and the Company measures the loss provision according to the expected credit loss in the next 12 months; If the credit risk of a financial instrument has increased significantly since initial recognition but has not yet occurred credit impairment, it is in the second stage, and the Company measures the loss provision according to the lifetime expected credit loss of the instrument; If a financial instrument has been credit-impaired since initial recognition, it is in the third stage. The Company measures loss provisions based on the lifetime expected credit loss of the instrument.

Loss provision changes in book balance with significant changes in the current period

□Applicable ☑N/A

4) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period	Closing balance

		Provision	Recovery or reversal	Charge-off or write-off	Others	
Provisions for bad debts of other receivables	316,519.88	-18,102.45				298,417.43
Total	316,519.88	-18,102.45				298,417.43

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reason for reversal	Method of recovery	Basis and rationality of determining the proportion of original bad debt provision

No significant amounts of provision for bad debts recovered or reversed during the current period.

5) Other receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant other receivables that are written off:

In RMB

Entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of write-off of acounts receivables:

No significant other receivables were written off in the current period.

6) Top five closing balances of other receivables categorized by debtor

In RMB

Entity	Nature of other receivables	Closing balance	Aging	Proportion of total closing balance of other receivables	Closing balance of provisions for bad debts
State Treasury of the People's Republic of China, Shangyu District Sub-treasury, Shaoxing	Export VAT refund receivable	450,934.39	Within 1 year	41.22%	22,546.72
Li Jin (employee)	Staff loans	220,000.00	3-4 years	20.11%	220,000.00
Li Yi (employee)	Staff loans	189,500.00	Within 1 year	17.32%	9,475.00
Guizhou Huiqun Trading Co., Ltd.	Security deposit	50,000.00	2-3 years	4.57%	15,000.00
Mo Long (employee)	Staff loans	35,000.00	Within 1 year, 1-2 years	3.20%	2,750.00
Total		945,434.39		86.42%	269,771.72

7. Prepayments

(1) Prepayments by aging

In RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	9,367,446.47	93.77%	6,278,412.21	83.98%
1-2 years	245,973.01	2.46%	808,988.66	10.82%
2-3 years	100,440.28	1.01%	128,662.52	1.72%
Over 3 years	275,458.93	2.76%	259,744.58	3.48%
Total	9,989,318.69		7,475,807.97	

Description of reasons for the failure to settle prepayments with an aging period exceeding one year and significant amounts:

There were no significant prepayments aged over 1 year at period end.

(2) Prepayment of the top five in the closing balance consolidated by the debtor

Entity	Book balance	Percentage of balance of prepayments (%)
Ningbo Chenhong Mould Machinery Co., Ltd (寧波諶宏模具機械有限公司)	4,072,300.00	40.77
Ningbo Beilun Phaeton Mould Co., Ltd (寧波北侖輝騰模具有限公司)	1,870,600.00	18.73
Zhejiang Tianxiang Quality Technology Service Co., Ltd. Hangzhou Branch (浙江天祥質量技術服務有限公司杭州分公司)	380,000.00	3.80
Ningbo Jiayi Machinery Technology Co., Ltd (寧波嘉意機械科技有限公司)	370,775.00	3.71
Shaoxing Shangyu Natural Gas Co., Ltd (紹興市上虞區天然氣有限公司)	300,000.00	3.00
Sub-total	6,993,675.00	70.01

Other information:

8. Inventories

Whether the Company is required to comply with the disclosure requirements of the real estate industry

No

(1) Categories of inventories

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value
Raw materials	55,199,939.77	8,732,942.36	46,466,997.41	57,742,968.25	8,744,853.80	48,998,114.45
Work in process	27,324,538.64	440,434.46	26,884,104.18	26,935,604.11	440,434.46	26,495,169.65
Goods on hand	45,460,415.17	3,115,232.39	42,345,182.78	42,549,749.62	3,117,421.33	39,432,328.29

Turnover materials	6,249,474.10	460,433.90	5,789,040.20	6,975,650.90	469,381.17	6,506,269.73
Goods upon delivery	9,033,374.35		9,033,374.35	11,015,713.98		11,015,713.98
Work in process held by subcontractors	1,528,160.84		1,528,160.84	2,845,430.80		2,845,430.80
Total	144,795,902.87	12,749,043.11	132,046,859.76	148,065,117.66	12,772,090.76	135,293,026.90

(2) Provision for decline in value of inventories and for impairment of contract performance costs

In RMB

Item	Opening balance	Increase during the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	8,744,853.80			11,911.44		8,732,942.36
Work in process	440,434.46					440,434.46
Goods on hand	3,117,421.33			2,188.94		3,115,232.39
Turnover materials	469,381.17			8,947.27		460,433.90
Total	12,772,090.76			23,047.65		12,749,043.11

Specific basis for determining net realizable value and reasons for reversal or write-off of provision for inventory write-down during the current period

Item	Specific basis for determining net realizable value	Reasons for reversal of provision for inventory write-down during the current period	Reasons for write-off of provision for inventory write-down
Raw materials	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period
Work in process	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period
Goods on hand	Net realizable value is determined at the estimated selling price of the related finished goods less estimated selling expenses and related taxes		Sold during the current period
Turnover materials	Net realizable value is determined at the estimated selling price of the related finished goods less estimated costs to completion, estimated selling expenses and related taxes		Used during the current period

Provision for inventory obsolescence on group basis

In RMB

Group	At period end			At period beginning		
	Closing balance	Provision	ovision ratio	Opening balance	Provision	ovision ratio

Standard for provision for inventory obsolescence on group basis

（3） Other debt investments due within one year

□Applicable ☑N/A

9. Other current assets

In RMB

Item	Closing balance	Opening balance
Input VAT to be deducted	2,209,202.90	4,115,942.16
Total	2,209,202.90	4,115,942.16

Other description:

10. Fixed assets

In RMB

Item	Closing balance	Opening balance
Fixed assets	291, 228, 512. 98	302, 582, 794. 08
Total	291, 228, 512. 98	302, 582, 794. 08

(1) Details of fixed assets

In RMB

Item	Buildings and constructions	General equipment	Special equipment	Vehicles	Total
I. Original carrying value:					
1.Opening balance	241, 462, 531. 72	12, 115, 935. 60	264, 885, 616. 58	8, 338, 719. 26	526, 802, 803. 16
2. Increase during the current period	1, 424, 169. 12	80, 931. 32	3, 871, 485. 16		5, 376, 585. 60
(1) Purchase		80, 931. 32	255, 574. 26		336, 505. 58
(2) Transfer from construction in progress	1, 424, 169. 12		3, 615, 910. 90		5, 040, 080. 02
(3) Increase due to business merger					

3. Decrease in the current period			769,230.77		769,230.77
(1) Disposal or retirement			769,230.77		769,230.77
4. Closing balance	242,886,700.84	12,196,866.92	267,987,870.97	8,338,719.26	531,410,157.99
II. Accumulative depreciation					
1.Opening balance	62,576,619.38	6,937,339.92	146,883,067.67	7,822,982.11	224,220,009.08
2.Increase during the current period	5,830,268.52	639,564.11	10,144,571.45	78,001.08	16,692,405.16
(1) Provision	5,830,268.52	639,564.11	10,144,571.45	78,001.08	16,692,405.16
3. Decrease in the current period			730,769.23		730,769.23
(1) Disposal or retirement			730,769.23		730,769.23
4. Closing balance	68,406,887.90	7,576,904.03	156,296,869.89	7,900,983.19	240,181,645.01
III. Provision for impairment					
1.Opening balance					
2.Increase during the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or retirement					
4. Closing balance					
IV. Carrying value					
1. Closing carrying value	174,479,812.94	4,619,962.89	111,691,001.08	437,736.07	291,228,512.98
2. Opening carrying value	178,885,912.34	5,178,595.68	118,002,548.91	515,737.15	302,582,794.08

(2) Status of temporarily idle fixed assets

In RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Carrying value	Note
Buildings and constructions	9,637,588.41	8,440,630.02		1,196,958.39	
General equipment	326,209.28	309,389.82		16,819.46	
Special Equipment	6,261,874.69	5,472,791.59		789,083.10	
Sub-total	16,225,672.38	14,222,811.43		2,002,860.95	The old factory building in Lianghu, Shangyu

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					District, Shaoxing City is temporarily idle

(3) Status of fixed assets without property ownership certificates

In RMB

Item	Carrying value	Reason for not having obtained the property ownership certificates
Hangzhou Bay Headquarters Factory Building	135,390,310.07	The factory building acceptance procedures are currently being processed; the property ownership certificate will be applied for after the acceptance is completed

Other information

11. Construction in progress

In RMB

Item	Closing balance	Opening balance
Construction in progress	161,027,692.03	160,285,463.29
Total	161,027,692.03	160,285,463.29

(1) Details of construction in progress

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
New project for production of 3.25 million sets of hydraulic components and 4.10 million sets of automotive precision metal parts per annum	159,344,521.37		159,344,521.37	159,167,500.18		159,167,500.18
New project for production of 16 million pieces of key components for garden machinery per annum	989,239.83		989,239.83	689,723.83		689,723.83
Other miscellaneous projects	828,930.83	135,000.00	693,930.83	563,239.28	135,000.00	428,239.28
Total	161,162,692.03	135,000.00	161,027,692.03	160,420,463.29	135,000.00	160,285,463.29

(2) Changes in significant construction in progress projects during the current period

In RMB

Item	Budget	Opening balance	Increase during the current period	Transfer to fixed assets during the current period	Other decrease during the current period	Closing balance	Cumulative project expenditure as a percentage of budget	Project progress	Cumulative capitalized interest	Incl: Interest capitalized during the current period	Interest capitalization rate during the current period	Source of funding
New project for production of 3.25 million sets of hydraulic components and 4.10 million sets of automotive precision metal parts per annum	315, 000, 000. 00[1]	159, 167, 500. 18	3, 035, 468. 89	2, 858, 447. 70		159, 344, 521. 37	50. 39%	51%	30, 319, 050. 01	239, 067. 72	7. 52%	Proceeds from share issuance
New project for production of 16 million pieces of key components for garden machinery per annum	123, 711, 900. 00	689, 723. 83	433, 559. 36	134, 043. 36		989, 239. 83	112. 82%	99%				Proceeds from share issuance
Other miscellaneous projects		563, 239. 28	2, 313, 280. 51	2, 047, 588. 96		828, 930. 83						Others
Total	438, 711, 900. 00	160, 420, 463. 29	5, 782, 308. 76	5, 040, 080 02		161, 162, 692. 03			30, 319, 050. 01	239, 067. 72		

Note: 1 The budget for this project includes raised funds and others.

(3) Provision for impairment of construction in progress during the current period

In RMB

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Reasons for provision
Other miscellaneous projects	135, 000. 00			135, 000. 00	
Total	135, 000. 00			135, 000. 00	– –

Other information

(4) Impairment testing of construction in progress

□Applicable ☑N/A

12. Intangible assets

(1) Details of intangible assets

In RMB

Item	Land use rights	Patent	Non-patent technology	Software	Patent technology and trademarks	Total
I. Original carrying value						
1. Opening balance	64, 935, 909. 34			4, 711, 994. 95	17, 671, 400. 00	87, 319, 304. 29
2. Increase during the current period				9, 433. 96		9, 433. 96
(1) Purchase				9, 433. 96		9, 433. 96
(2) Internal research and development						
(3) Increase due to business mergers						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	64, 935, 909. 34			4, 721, 428. 91	17, 671, 400. 00	87, 328, 738. 25
II. Accumulated amortization						
1. Opening balance	12, 361, 308. 69			3, 002, 734. 93	10, 602, 840. 24	25, 966, 883. 86
2. Increase during the current period	650, 145. 06			165, 989. 98	883, 570. 02	1, 699, 705. 06
(1)	650, 145. 06			165, 989. 98	883, 570. 02	1, 699, 705. 06

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Provision						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	13, 011, 453. 75			3, 168, 724. 91	11, 486, 410. 26	27, 666, 588. 92
III. Provision for impairment						
1. Opening balance						
2. Increase during the current period						
(1) Provision						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance						
IV. Carrying value						
1. Closing carrying value	51, 924, 455. 59			1, 552, 704. 00	6, 184, 989. 74	59, 662, 149. 33
2. Opening carrying value	52, 574, 600. 65			1, 709, 260. 02	7, 068, 559. 76	61, 352, 420. 43

Proportion of intangible assets generated from the Company's internal research and development to the balance of intangible assets at the end of the period: 0.00%。

13. Goodwill

(1) Gross carrying amount of goodwill

In RMB

Name of investee or events giving rise to goodwill	Opening balance	Increase		Decrease		Closing balance
		Arising from business merger		Disposal		
Tuson Precision	9,903,454.24					9,903,454.24
Total	9,903,454.24					9,903,454.24

(2) Provision for impairment of goodwill

In RMB

Name of investee or events giving rise to goodwill	Opening balance	Increase		Decrease		Closing balance
		Provision		Disposal		
Tuson Precision	1, 192, 907. 64	79, 424. 69				1, 272, 332. 33[1]

Total	1, 192, 907. 64	79, 424. 69				1, 272, 332. 33

Note: 1 Goodwill includes goodwill of RMB7,793,181.88 recognized as the difference between the combination cost on the acquisition date and the share of fair value of the acquiree's identifiable net assets acquired in the merger, and goodwill of RMB2,110,272.36 recognized as deferred income tax liabilities due to the difference between the fair value and book value of the acquiree's identifiable net assets. For goodwill formed due to the recognition of deferred income tax liabilities, impairment provision should be made when the deferred income tax liabilities are reversed.

14. Long-term deferred expenses

In RMB

Item	Opening balance	Increase during the current period	Amortization	Other decrease	Closing balance
Decoration expenses	168, 722. 60		62, 499. 18		106, 223. 42
Pollution discharge rights	201, 560. 67		43, 475. 58		158, 085. 09
Software service fee	60, 492. 82	66, 037. 74	26, 455. 56		100, 075. 00
Online shop usage rights	12, 000. 00		9, 000. 00		3, 000. 00
Total	442, 776. 09	66, 037. 74	141, 430. 32		367, 383. 51

Other information

15. Deferred tax assets / deferred tax liabilities

(1) Deferred tax assets not offset

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Unrealized profits on intragroup transactions	4, 387. 83	658. 17	238, 618. 93	35, 792. 84

Capitalized interest on convertible bonds	20, 767, 622. 08	3, 115, 143. 31	18, 258, 894. 64	2, 738, 834. 20
Provision for inventory obsolescence	12, 749, 043. 11	1, 912, 356. 47	12, 772, 090. 76	2, 418, 179. 75
Provision for bad debts of accounts receivables	8, 190, 346. 94	1, 256, 845. 93	8, 128, 636. 13	1, 452, 533. 43
Deferred income	4, 308, 323. 63	646, 248. 52	4, 538, 503. 67	802, 902. 55
Provision for impairment of contract assets	215, 082. 23	32, 262. 33	629, 550. 21	94, 432. 54
Total	46, 234, 805. 82	6, 963, 514. 73	44, 566, 294. 34	7, 542, 675. 31

(2) Deferred tax liabilities not offset

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Fair value adjustments on assets arising from business combinations not under common control	10, 953, 464. 42	1, 643, 019. 66	11, 991, 695. 73	1, 798, 754. 35
One-time pre-tax deduction for equipment			6, 233, 097. 02	1, 558, 274. 25
Total	10, 953, 464. 42	1, 643, 019. 66	18, 224, 792. 75	3, 357, 028. 60

(3) Deferred tax assets or deferred tax liabilities presented on a netting basis

In RMB

Item	Closing offset amount of deferred tax assets and liabilities	Closing balance of deferred tax assets or liabilities after offset	Opening offset amount of deferred tax assets and liabilities	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets		6, 963, 514. 73	1, 558, 274. 25	5, 984, 401. 06
Deferred tax liabilities		1, 643, 019. 66	1, 558, 274. 25	1, 798, 754. 35

(4) Details of unrecognized deferred tax assets

In RMB

Item	Closing balance	Opening balance
Deductible losses	53, 552, 702. 08	48, 191, 124. 98
Provision for bad debts on other receivables	298, 417. 43	316, 519. 88
Provision for impairment of construction in progress	135, 000. 00	135, 000. 00
Total	53, 986, 119. 51	48, 642, 644. 86

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following year

In RMB

Year	Closing balance	Opening balance	Remark
2025	208, 860. 91	208, 860. 91	
2026	323, 882. 93	323, 882. 93	
2027	353, 461. 86	353, 461. 86	
2028	785, 177. 23	785, 177. 23	
2029	599, 124. 21	599, 124. 21	
2030	1, 454, 212. 01		
2031	6, 913, 815. 58	6, 913, 815. 58	
2032	17, 279, 467. 35	17, 279, 467. 35	
2033	10, 477, 834. 71	10, 477, 834. 71	
2034	11, 249, 500. 20	11, 249, 500. 20	
2035	3, 907, 365. 09		
Total	53, 552, 702. 08	48, 191, 124. 98	

Other information

16. Other non-current assets

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Prepayments for acquisition of non-current assets	197,500.00		197,500.00	1,335,250.00		1,335,250.00
Total	197,500.00		197,500.00	1,335,250.00		1,335,250.00

Other information:

17. Assets with restricted ownership or right of use

In RMB

Item	At period end				At period beginning			
	Book balance	Carrying value	Type of restriction	Status of restriction	Book balance	Carrying value	Type of restriction	Status of restriction
Monetary funds	11,457,916.18	11,457,916.18	Pledged	Bank acceptance bill deposit	5,159,943.38	5,159,943.38	Pledged	Bank acceptance bill deposit
Financing receivables	3,150,668.88	3,150,668.88	Pledged	Pledge of Bank acceptance bill	6,430,221.69	6,430,221.69	Pledged	Pledge of Bank acceptance bill
Total	14,608,585.06	14,608,585.06			11,590,165.07	11,590,165.07		

Other information:

18. Short-term borrowings

(1) Category of short-term borrowings

In RMB

Item	Closing balance	Opening balance

Credit borrowings	22, 000, 000. 00	30, 000, 000. 00
Bank acceptance bill financing	46, 000, 000. 00	15, 000, 000. 00
Interest payable on borrowings	14, 833. 34	2, 000. 00
Total	68, 014, 833. 34	45, 002, 000. 00

Description for categories of short-term borrowings:

19. Notes payable

In RMB

Category	Closing balance	Opening balance

Bank acceptance bills	18,832,094.21	10,827,634.74
Total	18,832,094.21	10,827,634.74

Total notes payable matured but not paid yet is RMB0.00 at the end of the current period.

20. Accounts payables

(1) Presentation of accounts payables

In RMB

Item	Closing balance	Opening balance
Materials payable	59,436,253.15	88,771,169.22
Construction payable	21,455,836.06	25,770,194.76
Transportation, energy, labor expenses and other expenses	7,162,383.00	5,282,609.68
Equipment payable	163,051.79	649,750.00
Total	88,217,524.00	120,473,723.66

(2) Significant accounts payables aged over one year or overdue

In RMB

Item	Closing balance	Reason for failure to be repaid or carried forward
Zhejiang Shuangyan Construction Co., Ltd (浙江雙堰建設有限公司)	6,365,145.89	The payment for the main construction works of the Hangzhou Bay Headquarters factory building has not yet been settled
Jiaxing Hongguo Construction Co., Ltd (嘉興宏國建設有限公司)	6,782,802.79	The payment for the main construction works of the Phase II factory building of Tuson Precision has not yet been settled
	13,147,948.68	

Other description:

21. Other payables

In RMB

Item	Closing balance	Opening balance
Dividend payable	10,925,292.80	
Other payables	792,026.08	6,770,681.75
Total	11,717,318.88	6,770,681.75

(1) Dividend payable

In RMB

Item	Closing balance	Opening balance
Dividends on ordinary shares	10,925,292.80	
Total	10,925,292.80	

Other information, including important dividends payable that have not been paid for more than one year, for which the reasons for non-payment shall be disclosed:

(2) Other payables

1) Other payables by nature

In RMB

Item	Closing	Opening

	balance	balance
Temporary payables	633,744.08	136,737.78
Security deposit	42,000.00	42,000.00
Others	116,282.00	314,471.97
Restricted share repurchase obligation		6,277,472.00
Total	792,026.08	6,770,681.75

22. Contract liabilities

In RMB

Item	Closing balance	Opening balance
Receipts in advance	425,653.78	843,005.28
Total	425,653.78	843,005.28

Significant contract liabilities aged over 1 year

In RMB

Item	Closing balance	Opening balance

Amounts and reasons for significant changes in carrying value during the reporting period

In RMB

Item	Changes	Reason for changes

23. Employee benefits payable

(1) Presentation of employee benefits payable

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term benefits	10,434,023.21	38,242,821.92	40,737,898.43	7,938,946.70
II. Post-employment benefits-defined contribution plan	467,097.43	2,922,067.82	2,911,480.51	477,684.74
Total	10,901,120.64	41,164,889.74	43,649,378.94	8,416,631.44

(2) Presentation of short-term benefits

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	10,085,127.01	33,200,458.37	35,677,782.81	7,607,802.57
2. Employee welfare expenses		2,331,652.24	2,331,652.24	
3. Social security contributions	300,161.20	1,716,333.36	1,731,175.43	285,319.13
Incl.: Medical insurance	278,193.24	1,542,172.77	1,566,950.32	253,415.69
Work-related injuries insurance	21,967.96	174,160.59	164,225.11	31,903.44
4. Housing provident fund	48,735.00	970,074.00	972,984.00	45,825.00
5. Trade union fees and employee education expenses		24,303.95	24,303.95	
Total	10,434,023.21	38,242,821.92	40,737,898.43	7,938,946.70

(3) Presentation of defined contribution plans

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pensions	452,023.85	2,833,432.32	2,822,246.73	463,209.44
2. Unemployment insurance	15,073.58	88,635.50	89,233.78	14,475.30
Total	467,097.43	2,922,067.82	2,911,480.51	477,684.74

Other information:

24. Taxes payable

In RMB

Item	Closing balance	Opening balance
VAT	385,012.86	215,969.38
Enterprise income tax	4,055,869.96	1,270,360.03
Individual income tax	93,281.64	97,169.71
Urban maintenance and construction tax	132,283.60	203,827.52
Property tax	1,020,336.49	2,371,861.69
Land use tax	644,610.06	1,347,949.51
Education surcharges	67,737.76	87,354.65
Local education surcharges	45,158.52	58,236.43
Stamp duty	19,437.11	24,008.28
Total	6,463,728.00	5,676,737.20

Other information:

25. Non-current liabilities to be settled within one year

In RMB

Item	Closing balance	Opening balance
Interest on bonds payable due within one year		3,114,259.20
Total		3,114,259.20

Other information:

26. Other current liabilities

In RMB

Item	Closing balance	Opening balance
Output tax to be transferred	55,334.99	109,590.69
Total	55,334.99	109,590.69

Changes in short-term bonds payable:

In RMB

Name of bond	Par value	Coupon rate	Issue date	Term of bond	Issue amount	Opening balance	Issue for the period	Interest accrued based on par value	Amortization of premiums or discounts	Repayment for the period		Closing balance	Whether it defaults
Total													

Other information:

27. Bonds payable

(1) Bonds payable

In RMB

Item	Closing balance	Opening balance
Convertible bonds		158, 255, 305. 03
Total		158, 255, 305. 03

(2) Changes in bonds payable (excluding preference shares, perpetual bonds and other financial instruments classified as financial liabilities)

In RMB

Name of bonds	Par value	Coupon rate	Issue date	Bond term	Issue amount	Opening balance	Issued during the current period	Interest accrued at par value	Amortization of premium/discount	Repaid during the current period	Decrease in par value due to conversion during the current period	Amortization of premium/discount transferred out due to conversion during the current period	Redemption of the current period	Closing balance	Whether it defaults
Fenglong convertible bonds	100.00		2021/1/8	6 years	245, 000, 000. 00	158, 255, 305. 03		4, 363. 92	1, 981, 924. 70		171, 866, 000. 00	12, 691, 943. 09	1, 058, 808. 90	0. 00	No
Total					245, 000, 000. 00	158, 255, 305. 03		4, 363. 92	1, 981, 924. 70		171, 866, 000. 00	12, 691, 943. 09	1, 058, 808. 90	0. 00	

(3) Description of convertible bonds

Upon approval from the China Securities Regulatory Commission in the Reply on Approval of Public Issuance of Convertible Bonds by Zhejiang Fenglong Electric Co., Ltd. (CSRC License [2020] No. 3335), the Company publicly issued convertible bonds with a par value of RMB245 million on January 8, 2021 (hereinafter referred to as the "convertible bonds"). The convertible bonds have a term of six years with interest paid annually. The principal and the interest for the final year will be repaid at maturity. The coupon rates are 0.5% for the first year, 0.7% for the second year, 1.2% for the third year, 1.8% for the fourth year, 2.5% for the fifth year and 3.0% for the sixth year. The conversion period commences from the first trading day six months after the completion of issuance and ends on the maturity date of the convertible bonds (i.e., from July 14, 2021 to January 7, 2027). The initial conversion price was RMB17.97 per share. In June 2021, as a result of the implementation of the Company's 2020 profit distribution plan, the conversion price was adjusted to RMB12.73 per share, and the adjusted conversion price became effective on June 8, 2021. In June 2022, as a result of the implementation of the Company's 2021 profit distribution plan, the conversion price was adjusted to RMB12.63 per share, and the adjusted conversion price became effective on June 29, 2022. In September 2024, due to the Company's implementation of the 2024 semi-annual profit distribution plan, the conversion price was adjusted to RMB12.53 per share, and the adjusted conversion price will take effect from October 24, 2024.

According to the 23rd meeting of the third board of directors held on February 11, 2025, from December 30, 2024 to February 11, 2025, the Company's share has at least 15 in any 30 consecutive trading days. If the closing price of the trading day is higher than 130% (RMB16.289/share) of the current conversion price (RMB12.53/share), according to the "Prospectus for the Public Issuance of Convertible Corporate Bonds of Zhejiang Fenglong Electric Co., Ltd."(《浙江鋒龍電氣股份有限公司公開發行可轉換公司債券募集說明書》), the "conditional redemption clause" of "Fenglong Convertible Bonds(锋龙转债)"has been triggered, and the redemption price is RMB100.38/piece (including interest and tax, the current period is the fifth year, with an annual interest rate of 2.5%). As of March 13, 2025, all "Fenglong Convertible Bonds" have been redeemed and delisted from the Shenzhen Stock Exchange. In 2025, the holders of "Fenglong Convertible Bonds" converted a total of 1,718,660 convertible bonds, increasing the Company's share capital by RMB13,715,754, capital reserve of RMB189,173,274.64, and the Company redeemed 11,484 convertible bonds, with a total redemption amount of RMB1,152,763.92.

28. Deferred income

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government grants	4, 538, 503. 67	339, 000. 00	569, 180. 04	4, 308, 323. 63	Asset-related grants
Total	4, 538, 503. 67	339, 000. 00	569, 180. 04	4, 308, 323. 63	

Other information:

29. Share capital

In RMB

	Opening balance	Increase or decrease (+, -)					Closing balance
		New shares	Bonus shares	Capitalization of capital reserve	Others	Sub-total	
Total shares	204, 790, 102. 00				13, 715, 754. 00	13, 715, 754. 00	218, 505, 856. 00

Other information:

From January to June 2025, a total of 1,718,660 convertible corporate bonds exercised their conversion rights, increasing share capital by RMB13,715,754.

30. Other equity instruments

(1) Changes in preference shares, perpetual bonds and other financial instruments outstanding at period end

In RMB

Financial instruments outstanding	Opening		Increase		Decrease		Closing	
	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value
Convertible bonds	1,730,144.00	44,014,730.59			1,730,144.00	44,014,730.59		
Total	1,730,144.00	44,014,730.59			1,730,144.00	44,014,730.59		

Description of changes in other equity instruments during the current period, reasons for changes and basis for relevant accounting treatment:

The decrease during the current period was due to conversion of convertible bonds into shares and the Company's redemption of the remaining unconverted face value, and the carry-over of the corresponding equity components.

Other information:

31. Capital reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (share capital premium)	208,647,994.45	198,999,470.61		407,647,465.06
Total	208,647,994.45	198,999,470.61		407,647,465.06

Other information, including changes and reasons therefor:

(1) The increase in share premium of RMB189,173,274.64 was due to the transfer of part of the exercise premium of convertible corporate bonds to share premium.

(2) The increase in share premium of RMB206,812.08 represents the equity repurchase difference recognized on the repurchase date when the convertible corporate bonds are mandatory redeemed.

(3) The increase of share premium by RMB9,619,383.89 is due to the relevant provisions of the Administrative Measures for the First Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd.(《浙江鋒龍電氣股份有限公司第一期員工持股計劃管理辦法》): if the Company's performance appraisal target is not achieved in a certain lock-up period, the funds obtained from the sale of the underlying stocks corresponding to the unlocked shares in this period after the expiration of the lock-up period belong to the Company, and the Company shall return the original capital contribution and bank deposit interest in the same period within the limit of the amount of funds. If there is still income after being returned to the holder, the income will belong to the Company. The lock-up period of the third batch of shares of the Company's stock ownership plan expired on January 5, 2025, involving 954,023 shares, including 809,400 shares granted to the incentive objects (the third batch) and 144,623 shares reserved (the third batch). As the Company's performance did not meet the appraisal standards, the third batch of share incentive could not be unlocked. This year, the stock ownership plan management committee sold these shares and returned the original capital contribution and interest of the holders to the remaining income of RMB9,619,383.89, which was recorded in the capital reserve.

32. Treasury shares

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Restricted shares	6,277,472.00		6,277,472.00	
Total	6,277,472.00		6,277,472.00	

Other information, including changes and reasons therefor:

The lock-up period of the third batch of shares under the Company's stock ownership plan expired on January 5, 2025, involving 954,023 shares, including 809,400 shares granted to incentive objects and 144,623 reserved shares, at a grant price of RMB6.58 per share, with a total amount of RMB6,277,472.00. According to the relevant provisions of the Measures for the Administration of the First Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd.(《浙江鋒龍電氣股份有限公司第一期員工持股計劃管理辦法》), because the Company's performance did not meet the assessment standards, the third batch of equity incentives could not be unlocked, so the treasury shares and the repurchase obligation payable were reduced in equal amounts according to this amount.

33. Other comprehensive income

In RMB

Item	Opening balance	Amount in the current period						Closing balance
		Amount before income tax for the current period	Less: Amount included in other comprehensive income for the prior periods and transferred to the profit or loss for the current period	Less: Amount included in other comprehensive income for the prior periods and transferred to the retained earnings for the current period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests after tax	
II. Other comprehensive income that will be reclassified to profit or loss	164,794.29	-50,664.93				-50,664.93		114,129.36

Translation differences of financial statements denominated in foreign currencies	164,794.29	-50,664.93				-50,664.93		114,129.36
Total other comprehensive income	164,794.29	-50,664.93				-50,664.93		114,129.36

Other information, including adjustment of the effective part of the cash flow hedge gains and losses transferred to initially recognized amount of hedged items:

34. Surplus reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	27, 186, 161. 35			27, 186, 161. 35
Total	27, 186, 161. 35			27, 186, 161. 35

Descriptions of surplus reserve, including changes for the current period and reasons therefor:

35. Undistributed profit

In RMB

Item	Amount in the current period	Amount in the prior period
Undistributed profits at the end of the prior period before adjustment	286, 273, 252. 81	302, 159, 033. 06
Add: Net profit attributable to owners of the parent company for the current period	15, 314, 058. 08	660, 754. 64
Dividends payable for ordinary shares	10, 925, 292. 80	
Closing balance of undistributed profits	290, 662, 018. 09	302, 819, 787. 70

Details of adjustments to the opening balance of undistributed profits:

1) Effect on the opening balance of undistributed profits due to retrospective adjustment pursuant to the Accounting Standards for Business Enterprises and related new provisions: Nil.

2) Effect on the opening balance of undistributed profits due to changes in accounting policies: Nil.

3) Effect on the opening balance of undistributed profits due to the correction of material accounting errors: Nil.

4) Effect on the opening balance of undistributed profits due to changes in the scope of consolidation resulting from business merger involving entities under common control: Nil.

5) Effect on the opening balance of undistributed profits due to other adjustments: Nil.

36. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	249, 758, 626. 33	193, 296, 028. 53	226, 943, 052. 37	183, 291, 292. 92
Other business	1, 128, 762. 83	1, 122, 821. 61	1, 738, 479. 80	611, 332. 33
Total	250, 887, 389. 16	194, 418, 850. 14	228, 681, 532. 17	183, 902, 625. 25

Decomposition information of operating income and operating cost:

In RMB

Category of contract	Segment 1		Segment 2				Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Type of business								
Incl.:								
Garden machinery	92,412,702.53	69,638,801.42					92,412,702.53	69,638,801.42
Automotive parts	58,451,698.48	49,141,060.04					58,451,698.48	49,141,060.04
Hydraulic components	72,479,924.08	55,208,012.71					72,479,924.08	55,208,012.71
Others	27,543,064.07	20,430,975.97					27,543,064.07	20,430,975.97
By operating region								
Incl.:								
Domestic	161,543,052.13	127,497,350.55					161,543,052.13	127,497,350.55
Overseas	89,344,337.03	66,921,499.59					89,344,337.03	66,921,499.59
By market or customer type								
Incl.:								
By contract type								
Incl.:								
By transfer time of goods								
Incl.:								
Revenue recognized at a point in time	250,887,389.16	194,418,850.14					250,887,389.16	194,418,850.14
By term of contract								
Incl.:								
By sales channel								
Incl.:								
Total	250,887,389.16	194,418,850.14					250,887,389.16	194,418,850.14

Information related to performance obligations:

Item	Time of satisfaction of performance obligations	Important payment terms	The nature of the commodity that the Company undertakes to transfer	Whether the principal responsible person	Amounts borne by the Company that are expected to be refunded to customers	Types of quality assurance provided by the Company and related obligations

Other information:

Information related to the transaction price allocated to the outstanding performance obligations:

The revenue corresponding to performance obligations under contracts signed but not yet performed or not yet fully performed as at the end of the reporting period amounts to RMB0.00.

Information related to variable consideration in the contract:

Significant contract changes or significant transaction price adjustments

In RMB

Item	Accounting treatment method	Amount of impact on revenue

Other information

Revenue recognized during the current period that was included in the opening balance of contract liabilities amounted to RMB688,126.85.

37. Taxes and surcharges

In RMB

Item	Amount in the current period	Amount in the prior period
Urban maintenance and construction tax	521,254.50	448,901.15
Education surcharges	237,565.63	208,222.31
Property tax	1,136,659.46	1,109,106.58
Land use tax	650,548.75	680,651.23
Vehicle and vessel tax	2,204.88	2,204.88
Stamp duty	155,657.45	179,371.29
Local education surcharges	158,377.10	138,814.87

Total	2,862,267.77	2,767,272.31

Other information:

38. Administrative expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	11,177,804.00	12,084,878.07
Depreciation and amortization	6,016,011.62	5,643,516.67
Transportation and travel expenses	1,067,148.47	1,008,136.42
Agency and consulting fees	1,052,207.79	804,963.35
Office expenses	651,770.84	688,576.64
Repair and renovation expenses	378,825.29	595,620.63
Business entertainment expenses	347,729.14	527,289.93
Others	1,167,279.97	1,339,923.45
Total	21,858,777.12	22,692,905.16

Other information

39. Selling expenses

In RMB

Item	Amount in the current period	Amount in the prior period
External quality loss	3,765,102.15	535,604.00
Employee benefits	1,950,431.06	1,567,856.87
Business entertainment expenses	1,067,886.68	1,678,221.46
Travel expenses	701,540.10	657,382.41
Office expenses	122,340.72	163,601.98
Business promotion expenses	43,074.15	8,000.00
Others	133,521.14	127,100.92
Total	7,783,896.00	4,737,767.64

Other information

40. Research and development expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Employee benefits	7,145,469.88	8,122,044.13
Direct materials	3,697,846.27	3,587,239.54
Depreciation and amortization expenses	1,064,476.99	1,215,396.94
Utilities expenses	305,830.87	315,979.41
Certification expenses	89,597.55	71,758.58
Others	69,198.45	99,172.51
Total	12,372,420.01	13,411,591.11

Other information

41. Financial expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Interest expense	952,593.82	1,972,249.50
Interest income	-947,092.48	-785,472.90
Foreign exchange gains and losses	-3,909,879.73	164,815.50
Charges and others	95,809.60	56,263.97
Total	-3,808,568.79	1,407,856.07

Other information

42. Other income

In RMB

Source of other income	Amount in the current period	Amount in the prior period
Government grants related to assets	569,180.04	713,075.04
Government grants related to income	1,158,522.66	1,825,033.35
Refund of withholding individual income tax and other handling fees	10,534.73	76,338.94
VAT super deduction	503,222.20	1,117,138.67
Total	2,241,459.63	3,731,586.00

43. Investment income

In RMB

Item	Amount in the current period	Amount in the prior period
Investment income from wealth management products	1,003,119.87	327,016.17
Interest on bill discounting	-48,987.06	
Total	954,132.81	327,016.17

Other information

44. Impairment losses of credit

In RMB

Item	Amount in the current period	Amount in the prior period
Bad debt losses of Accounts receivables	−61, 710. 81	−571, 891. 41
Bad debt losses of other receivables	18, 102. 45	−37, 217. 47
Total	−43, 608. 36	−609, 108. 88

Other information

45. Impairment losses of assets

In RMB

Item	Amount in the current period	Amount in the prior period
X. Impairment loss of goodwill	−79, 424. 69	−240, 645. 35
XI. Impairment losses of contract assets	414, 467. 98	−22, 535. 39
Total	335, 043. 29	−263, 180. 74

Other information:

46. Income from disposal of assets

In RMB

Source of income from disposal of assets	Amount in the current period	Amount in the prior period
Income from disposal of fixed assets	78, 352. 62	−1, 982, 430. 44
Total	78, 352. 62	−1, 982, 430. 44

47. Non-operating revenues

In RMB

Item	Amount in the current period	Amount in the prior period	Amount included in the non-recurring gain or loss for the current period
Payment not to be made	60, 000. 00		60, 000. 00
Others	7. 58	330. 00	7. 58
Total	60, 007. 58	330. 00	60, 007. 58

Other information:

48. Non-operating expenses

In RMB

Item	Amount in the current period	Amount in the prior period	Amount included in the non-recurring gain or loss for the current period
External donations	100,000.00	130,000.00	100,000.00
Others	4,580.18	73.56	4,580.18
Total	104,580.18	130,073.56	104,580.18

Other information:

49. Income tax expenses

(1) Table of income tax expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Current income tax expenses	4,741,344.58	1,172,540.33
Deferred income tax expenses	-1,134,848.36	-997,641.79
Total	3,606,496.22	174,898.54

(2) Reconciliation of income tax expenses to the accounting profit

In RMB

Item	Amount in the current period
Total profit	18,920,554.30
Income tax expense calculated based on statutory/applicable tax rate	4,730,138.58
Impact of different tax rates applicable to subsidiaries	-1,753,085.03
Effect of adjustments to prior periods' income tax	-602.28
Effect of non-deductible cost, expense and loss	1,160,697.07
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	821,207.35
Additional deduction for research and development expenses	-2,093,124.08
Changes in deferred income tax balances at the beginning of the period due to tax rate adjustments	741,264.61
Income tax expenses	3,606,496.22

Other information

50. Other comprehensive income

See Note 33.

51. Items of the cash flow statement

(1) Cash relating to operating activities

Other cash receipts relating to operating activities

In RMB

Item	Amount in the current period	Amount in the prior period
Refund of margin for bank acceptance bills	11,876,753.01	5,504,761.73
Government grants	1,467,757.39	2,973,372.29
Interest income received from bank deposits	1,013,082.17	941,049.10
Net operating receipts	796,569.50	36,222.15
Total	15,154,162.07	9,455,405.27

Description of other cash receipts relating to operating activities:

Other cash payments relating to operating activities

In RMB

Item	Amount in the current period	Amount in the prior period
Other operating and administrative expenses paid in cash	9,015,002.51	9,427,913.15
Margin for bills and others paid	18,174,725.81	6,724,856.66
Net operating payments	235,588.90	337,846.62
Total	27,425,317.22	16,490,616.43

Description of other cash payments relating to operating activities:

(2) Cash relating to investing activities

Other cash receipts relating to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Received part of the disposal money reserved for the employee stock ownership plan		1,504,096.69
Total		1,504,096.69

Significant cash received related to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Redemption of wealth management products	343,472,000.00	471,891,000.00
Total	343,472,000.00	471,891,000.00

Description of other cash receipts relating to investing activities:

Other cash paid related to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period

Significant cash paid in relation to investing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Pay construction payment, equipment payment, intangible assets payment, etc.	9,330,113.06	34,501,003.10
Purchase of Wealth management products	404,422,000.00	487,404,000.00
Total	413,752,113.06	521,905,003.10

Description of other cash paid related to investing activities:

(3) Cash related to financing activities

Other cash receipts relating to financing activities

In RMB

Item	Amount in the current period	Amount in the prior period
Proceeds from sale of employee stock ownership plan shares	9,619,383.89	
Total	9,619,383.89	

Description of other cash received related to financing activities:

Other cash paid in relation to financing activities

In RMB

Item	Amount in the current period	Amount in the prior period

Description of other cash paid related to financing activities:

Changes in various liabilities arising from financing activities

☑Applicable □N/A

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Changes in cash	Changes in non-cash	Changes in cash	Changes in non-cash	
Short-term borrowings	45,002,000.00	76,000,000.00	337,200.03	53,324,366.69		68,014,833.34
Bonds payable	158,255,305.03		1,261,229.28	1,148,400.00	158,368,134.31	
Non-current liabilities to be settled within one year	3,114,259.20		720,695.42	3,118,623.12	716,331.50	
Total	206,371,564.23	76,000,000.00	2,319,124.73	57,591,389.81	159,084,465.81	68,014,833.34

52. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

In RMB

Supplementary information	Amount in the current period	Amount in the prior period

1. Reconciliation of net profit to cash flow from operating activities		
Net profit	15,314,058.08	660,754.64
Add: Provision for impairment losses of assets	-291,434.93	872,289.62
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	16,692,405.16	16,940,731.05
Depreciation of right-of-use assets		
Amortization of intangible assets	1,699,705.06	1,684,897.76
Amortization of long-term deferred expenses	141,430.32	334,769.78
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	-78,352.62	1,982,430.44
Losses on retirement of fixed assets (gains are indicated by "-")		
Losses from changes in fair value (gains are indicated by "-")		
Financial expenses (gains are indicated by "-")	-2,845,067.16	2,292,641.20
Investment losses (gains are indicated by "-")	-1,003,119.87	-327,016.17
Decrease in deferred tax assets (increase is indicated by "-")	-979,113.67	-525,788.17
Increase in deferred tax liabilities (decrease is indicated by "-")	-155,734.69	-471,853.62
Decrease in inventories (increase is indicated by "-")	3,246,167.14	4,424,825.09
Decrease in receivables from operating activities (increase is indicated by "-")	1,171,247.61	-17,481,885.73
Increase in payables from operating activities (decrease is indicated by "-")	-20,434,002.67	-2,537,969.70
Others		
Net cash flows from operating activities	12,478,187.76	7,848,826.19
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		

Convertible corporate bonds due within 1 year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	131,401,946.91	127,037,112.64
Less: Opening balance of cash	157,826,342.65	142,521,631.80
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-26,424,395.74	-15,484,519.16

(2) Composition of cash and cash equivalents

In RMB

Item	Closing balance	Opening balance
I. Cash	131,401,946.91	157,826,342.65
Incl.: Cash on hand	135,838.26	73,989.34
Bank deposit that can be paid at any time	131,261,523.27	157,748,202.35
Other monetary funds that can be paid at any time	4,585.38	4,150.96
III. Closing balance of cash and cash equivalents	131,401,946.91	157,826,342.65

(3) Monetary funds not classified as cash and cash equivalents

In RMB

Item	Amount in the current period	Amount in the prior period	Reasons not to be classified as cash and cash equivalents
Other monetary funds	11,457,916.18	2,853,220.94	Bank acceptance bill deposit
Total	11,457,916.18	2,853,220.94	

Other information:

Commercial bills endorsed and transferred without involving cash receipts and payments

Item	Amount in the current period	Amount in the same period last year
Amount of commercial bills endorsed and transferred	17,642,219.14	4,800,131.82
Incl.: Payment for goods	17,405,219.14	4,800,131.82
Payment for acquisition of fixed assets and other long-term assets	237,000.00	

The above amounts have been deducted from "Cash received from sale of goods and rendering of services", "Cash paid for goods and services" and "Cash paid for acquisition of fixed assets, intangible assets and other long-term assets" in the cash flow statement.

53. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

In RMB

Item	Closing balance of foreign currency	Exchange rate	Translated balance in RMB at the end of the period

Cash at bank and on			75,273,185.30
Incl.: USD	9,477,190.40	7.1586	67,843,415.20
EUR	854,631.43	8.4024	7,180,955.13
HKD	272,838.39	0.91195	248,814.97
Accounts receivables			43,860,447.55
Incl.: USD	3,612,988.66	7.1586	25,863,940.62
EUR	1,481,469.16	8.4024	12,447,896.47
HKD			
JPY	111,880,680.29	0.049594	5,548,610.46
Long-term borrowings			
Incl.: USD			
EUR			
HKD			
Accounts payables			176,852.40
Incl.: USD	22,880.00	7.1586	163,788.77
EUR	1,554.75	8.4024	13,063.63

Other information:

(2) Descriptions of overseas operating entities, including disclosure of the main overseas business locations, functional currency and the basis for selection of important overseas operating entities, and the reasons for changes in functional currency (if any).

☑Applicable ☐N/A

The main place of business of Fenglong HK Company is Hong Kong, and the US dollar is selected as the bookkeeping functional currency according to the currency in the main economic environment in which it operates.

54. Leases

(1) The Company as lessee

☑Applicable ☐N/A

Variable lease payments not included in the measurement of lease liabilities

☐Applicable ☑N/A

Simplified treatment of short-term leases or lease expenses for low-value assets

☑Applicable ☐N/A

1) For details of the Company's accounting policies for short-term leases and leases of low-value assets, please refer to the explanation in Section V.28 of this financial report. The amounts of short-term lease expenses and lease expenses of low-value assets included in current profit or loss are as follows:

Item	Amount in the current period	Amount in the same period last year
Short-term lease expenses	278,195.95	149,273.24
Total	278,195.95	149,273.24

2) Current profit or loss and cash flow related to leases

Item	Amount in the current period	Amount in the same period last year
Total cash outflow relating to leases	475,639.40	154,173.27

Situations involving sale and leaseback transactions

N/A.

(2) The Company as the lessor

Operating leases as a lessor

☑Applicable ☐N/A

In RMB

Item	Rental income	Including: income related to variable lease payments not included in lease receipts
Photovoltaic roof	29,167.21	0.00
Total	29,167.21	0.00

Finance leases as a lessor

☐Applecable ☑ N/A

Undiscounted lease receipts for each of the next five years

☐Applecable ☑ N/A

Reconciliation of undiscounted lease receipts to net lease investment

VIII. R&D Expenditures

In RMB

Item	Amount in the current period	Amount in the same period last year
Employee benefits	7,145,469.88	8,122,044.13
Direct materials	3,697,846.27	3,587,239.54
Depreciation and amortization expenses	1,064,476.99	1,215,396.94
Utilities expenses	305,830.87	315,979.41
Certification expenses	89,597.55	71,758.58
Others	69,198.45	99,172.51
Total	12,372,420.01	13,411,591.11
Including: expensed R&D expenditure	12,372,420.01	13,411,591.11

IX. Interests in Other Entities

1. Interests in subsidiaries

(1) Composition of enterprise group

In RMB

Name of subsidiary	Registered capital	Main business place	Registered address	Nature of business	Shareholding ratio		Method of acquisition
					Direct	Indirect	
Haolong Electric Company	7, 800, 000. 00[1]	Shaoxing	Shaoxing	Automotive parts manufacturing	62. 03%	37. 97%	Business merger involving entities under common control
Yichuang Technology Company [2]	40, 484, 200. 00	Shaoxing	Shaoxing	Automotive parts manufacturing		100. 00%	Establishment
Tuson Precision	190, 866, 828. 68	Jiaxing	Jiaxing	Electromechanical manufacturing	100. 00%		Business merger involving entities not under common control
Fenglong Technology Company	19, 246, 584. 00	Shaoxing	Shaoxing	Electromechanical manufacturing	100. 00%		Business merger involving entities not under common control
Hangzhou Fenglong Company	10, 000, 000. 00	Hangzhou	Hangzhou	R&D and services	100. 00%		Establishment
Fenglong HK Company	4, 900, 000. 00[3]	New Territories, Hong Kong	New Territories, Hong Kong	Investment management	100. 00%		Establishment
Maisheng Machinery Company	30, 243, 200. 00	Shaoxing	Shaoxing	Electromechanical manufacturing	100. 00%		Establishment

Note: 1 The currency is USD

2 Haolong Electric Company has not injected capital into Yichuang Technology Company, and Yichuang Technology Company has not carried out business activities

3 The currency is US dollar

Descriptions of the difference between the shareholding ratio and the proportion of voting rights in a subsidiary:
N/A.

Basis for holding half of the voting rights or below but still controlling the investee, and holding over half of the voting rights but having no control over the investee:
N/A.

Basis for controls over significant structured entities included in consolidation scope:
N/A.

Basis for determining the Company as the agent or the principal:
N/A.

Other information:

X. Government Grants

1. Government grants recognized based on the amount receivable at the end of the reporting period

☐Applecable ☑ N/A

Reasons for not receiving the estimated amount of government grants at the estimated time point

☐Applecable ☑ N/A

2. Liabilities related to government grants

☑Applecable ☐ N/A

In RMB

Accounting item	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating income for the current period	Amount transferred to other income in the current period	Other changes during the current period	Closing balance	Related to assets/ earnings
Deferred income	4,538,503.67	339,000.00		569,180.04		4,308,323.63	Related to assets

3. Government grants included in current profit or loss

☑Applicable ☐N/A

Accounting item	Amount in the current period	Amount in the prior period
Other income	1,727,702.70	2,538,108.39

Other information:

XI. Risks Related to Financial Instruments

1. Various risks arising from financial instruments

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyze its exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The Company is exposed to various risks associated with financial instruments in its daily routines, primarily including credit risk, liquidity risk and market risk. The management has reviewed and approved policies to manage these risks, summarized as below.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instrument will default on its obligations resulting in financial loss to the counterparty.

1. Management of credit risk

(1) Evaluation of credit

The Company assesses at each balance sheet date whether the credit risk of the underlying financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, ranking of external credit risks and forward-looking information. The Company compares the risk of a default occurring on a financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or a group of financial instruments with similar credit risk characteristic, to determine the change of the risk of a default occurring on a financial instrument over the expected life.

The Company considers the credit risk of financial instruments has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion primarily refers to a certain percentage of increase in the probability of default over the remaining life of the financial instruments as of the balance sheet date when comparing with that at initial recognition of the financial instruments;

2) The qualitative criteria include, inter alia, adverse material changes in business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations, and an actual or expected significant adverse change in the technological, market, economic, or legal environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(2) Definition of defaulted or credit-impaired assets

A financial asset is defined as defaulted when the financial instrument meets one or more conditions stated as below, and the criteria of defining defaulted asset is consistent with that of defining credit-impaired asset:

1) significant financial difficulty of the debtor;

2) a breach of contract terms with binding force by the debtor;

3) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider.

2. Measurement of expected credit loss ("ECL")

Key parameters to measure ECL include the probability of default, loss given default and the exposure at default. The Company established models of the probability of default, loss given default and the exposure at default on the basis of quantitative analysis on historical statistical data (such as counterparty ranking, guarantee methods, collateral category, and repayment way) and forward-looking information.

3. Details of reconciliation of the opening balance and the closing balance of provision for impairment of financial instruments can be referred to in Note VII. 3, 4, 5, 6 to the financial statements hereof.

4. Credit risk exposure and credit risk concentration

The Company's credit risk is primarily from Cash at bank and on and receivables. In order to control the risks associated with aforementioned items, the Company has taken the following measures.

(1) Cash at bank and on

The credit risk of the Company is limited because the Company has deposited bank deposits and other monetary funds in banks with high credit ratings.

(2) Receivables and contract assets

The Company regularly evaluates the creditworthiness of its customers with deals on credit, and selects to deal with approved and creditworthy customers subject to the results of the credit assessment with monitoring the balance of its receivables, so as to ensure that the Company is not exposed to significant risk of bad debt.

No collateral is required since the Company only deals with third parties that are approved and creditworthy. The concentrated credit risks are managed by customers. As of June 30, 2025, the Company is exposed to certain concentration of credit risks, as the Company's Accounts receivables and contract assets from top 5 customers have accounted for 54.50 % of the total balance of Accounts receivables (December 31, 2024: 45.79 %). The Company held no collateral or other credit ranking measures for the balance of Accounts receivables and contract assets.

The maximum exposure to the Company is the carrying value of each financial asset in the balance sheet.

(II) Liquidity risk

Liquidity risk refers to the risk that the Company is in shortage of funds in performing obligations that are settled by delivering cash or another financial asset. Liquidity risk may arise from the inability to sell financial assets at fair value quickly enough; or from the counterparty's inability to repay its contractual debts; or from debts maturing earlier than expected; or from the inability to generate expected cash flows.

In order to control this risk, the Company balances the continuity and flexibility of financing by using various financing measures such as notes settlement and bank loans comprehensively and adopting both long-term and short-term financing methods to optimize the financing structure. The Company has received credit facilities from a number of commercial banks to satisfy its working capital requirements and capital expenditures.

Financial liabilities classified by remaining maturity

Item	Closing balance				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	68,014,833.34	68,278,000.01	68,278,000.01		
Notes payable	18,832,094.21	18,832,094.21	18,832,094.21		
Accounts payables	88,217,524.00	88,217,524.00	88,217,524.00		
Other payables	11,717,318.88	11,717,318.88	11,717,318.88		
Sub-total	186,781,770.43	187,044,937.10	187,044,937.10		

(Continued)

Item	Closing balance of prior year				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	45,002,000.00	45,582,000.00	45,582,000.00		
Notes payable	10,827,634.74	10,827,634.74	10,827,634.74		
Accounts payables	120,473,723.66	120,473,723.66	120,473,723.66		
Other payables	6,770,681.75	6,770,681.75	6,770,681.75		
Non-current liabilities to be settled within one year	3,114,259.20	3,114,259.20	3,114,259.20		
Bonds payable	158,255,305.03	182,530,192.00		182,530,192.00	
Sub-total	344,443,604.38	369,298,491.35	186,768,299.35	182,530,192.00	

(III) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and currency risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate interest-bearing financial instruments expose the Company to fair value interest rate risk, while floating-rate interest-bearing financial instruments expose the Company to cash flow interest rate risk. The Company decides on the proportion of fixed-rate and floating-rate financial instruments based on market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

2. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The foreign exchange risk faced by the Company mainly relates to the Company's foreign currency monetary assets and liabilities. For foreign currency assets and liabilities, if short-term imbalances occur, the Company will buy and sell foreign currencies at market exchange rates when necessary to ensure that the net risk exposure is maintained at an acceptable level.

For details of the Company's foreign currency monetary assets and liabilities at period end, please refer to Note VII.53 to these financial statements.

XII. Disclosure of Fair Value

1. Closing balance of the fair value of assets and liabilities measured at fair value

In RMB

Item	Closing balance of fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading			168,000,000.00	168,000,000.00
1. Financial assets at fair value through profit or loss			168,000,000.00	168,000,000.00
Wealth management products			168,000,000.00	168,000,000.00
(II) Financing receivables			22,694,101.70	22,694,101.70
Total assets continuously measured at fair value			190,694,101.70	190,694,101.70
II. Non-continuous fair value measurement	--	--	--	--

2. Valuation techniques and qualitative and quantitative information of key parameters for items subject to continuous and non-continuous fair value measurements within Level 3

The trading financial assets measured at Level 3 fair value held by the Company are bank's wealth management products. Due to the short holding period, the Company determines their fair value at cost.

The financing of receivables measured at the third level of fair value held by the Company is bank acceptance bills receivable, which have small credit risk and short remaining term. The Company determines its fair value based on its face balance.

XIII. Related Parties and Related-party Transactions

1. Parent company of the Company

Name of the parent company	Registered address	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent company (%)	Proportion of the Company's voting right held by the parent company (%)
Zhejiang Chengfeng Investment Co., Ltd. (浙江誠鋒投資有限公司) (hereinafter referred to as Chengfeng Investment Company)	Ningbo	Investment activities	RMB50 million	42.13%	42.13%

Descriptions of the Company's parent company

The ultimate controlling party of the Company is Dong Jiangang.

Other information:

2. Subsidiaries of the Company

For details of the Company's subsidiaries, please refer to the disclosure on interests in other entities in the notes to the financial statements.

3. Other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company
Zhejiang Fulaite New Materials Co., Ltd.	Controlled subsidiary of Chengfeng Investment Company
Shaoxing Shangyu Fenglong Yuanzhi Equity Investment Partnership (Limited Partnership)(紹興上虞鋒龍園智股權投資合夥企業（有限合夥）) (hereinafter referred to as Yuanzhi Partnership)	The original associate was deregistered in June 2023
Ningbo Delin Machinery Co., Ltd. (寧波市德霖機械有限公司)	Company in which Yuanzhi Partnership originally holds 21.90% equity interest
Ningbo Ruilin Machinery Technology Co., Ltd (寧波瑞霖機械科技有限公司)	A wholly-owned subsidiary of Ningbo Delin Machinery Co., Ltd.

Other information:

On March 20, 2023, Yuanzhi Partnership withdrew from all the equity of Ningbo Delin Company, so Ningbo Delin Company will no longer be included in the Company's related party category from April 2024.

4. Related-party transactions

(1) Sales and purchase of goods, and rendering and receipt of services

Statement of purchase of goods/receipt of services

In RMB

Related party	Details of related-party transactions	Amount in the current period	Transaction quota approved	Whether exceeding the approved transaction amount	Amount in the prior period

Zhejiang Fulaite New Materials Co., Ltd.	Surface treatment and other processing services	2,596,503.28	6,200,000.00	No	2,639,666.33

Statement of sales of goods/rendering of services

In RMB

Related party	Details of related-party transactions	Amount in the current period	Amount in the prior period
Ningbo Ruilin Machinery Technology Co., Ltd 1	Circuit board and other components	0.00	15,789.50

Note: 1 Ningbo Ruilin Machinery Technology Co., Ltd will no longer be included in the category of related parties of the Company from April 2024, and the number in the prior period is the transaction amount from January to March 2024.

Descriptions of related-party transactions with respect to the sales and purchase of goods, as well as rendering and receipt of services

(2) Compensation for key officers

In RMB

Item	Amount in the current period	Amount in the prior period
Compensation for key officers	1,164,027.60	1,318,739.92

5. Receivables from and payables to related parties

(1) Accounts receivables

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Provisions for bad debts	Book balance	Provisions for bad debts
Prepayments	Zhejiang Fulaite New Materials Co., Ltd.	167,470.08		355,270.46	

XIV. Share-based payment

1. Overall information on share-based payment

☑Applicable ☐N/A

In RMB

Categories of objects granted	Granted in the current period		Exercised in the current period		Unlocked in the current period		Lapsed in the current period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Administrative staff							445,750	2,933,035.00
R&D staff							277,100	1,823,318.00
Sales staff							54,450	358,281.00
Production staff							32,100	211,218.00
Reserved portion							144,623	951,620.00
Total							954,023	6,277,472.00

Stock options or other equity instruments outstanding at the end of the period

☐Applicable ☑ N/A

Other information

2. Equity-settled share-based payment

☑Applicable ☐N/A

In RMB

Method for determining fair value of equity instruments at grant date	Closing price of shares
Significant parameters of fair value of equity instruments at grant date	RMB15.34 per share
Basis for determining the number of equity instruments expected to vest	Confirmed based on the number that employees can vest during the service period
Reasons for significant differences between current and prior period estimates	None, estimated based on failure to meet the performance targets
Cumulative amount of equity-settled share-based payment recognized in capital reserve	9,453,792.00
Total expenses recognized for equity-settled share-based payment during the current period	0.00

Other information

According to the resolution of the Fourth Extraordinary General Meeting of Shareholders in 2021 and other relevant documents, the Company granted 3,180,077 restricted shares (including the reserved portion and reserved shares held on behalf, the same below) to 65 grantees including Wang Siyuan, at a grant price of RMB6.58 per share. All the restricted shares granted were sourced from treasury shares (A ordinary shares of the Company repurchased from the secondary market), of which the reserved portion amounted to 482,077 shares.

According to the Administrative Measures for the First Employee Stock Ownership Plan of Zhejiang Fenglong Electric Co., Ltd., the underlying shares acquired by the employee stock ownership plan through non-trade transfer and other methods permitted by laws and regulations shall be unlocked in three batches 12 months after the date when the employee stock ownership plan is approved by the general meeting of shareholders of the Company and the Company announces the transfer of the underlying shares to the employee stock ownership plan, subject to satisfaction of the following conditions:

(1) Time criteria

Unlock arrangement	Unlock date	Unlock proportion
First batch unlock date	12 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	40%
Second batch unlock date	24 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	30%
Third batch unlock date	36 months from the date when the Company announces the transfer of the last batch of underlying shares to the employee stock ownership plan	30%

(2) Performance assessment criteria

Unlock arrangement	Performance assessment targets
First batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2021 shall be not less than 20%, or the net profit growth rate for 2021 shall be not less than 20%
Second batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2022 shall be not less than 40%, or the net profit growth rate for 2022 shall be not less than 40%
Third batch unlock date	Based on the revenue and net profit for 2020, the revenue growth rate for 2023 shall be not less than 60%, or the net profit growth rate for 2023 shall be not less than 60%

(3) Individual performance assessment

The employee stock ownership plan will conduct performance assessment on individuals in accordance with the Company's relevant performance assessment system, and determine the final number of underlying shares to be unlocked by holders based on individual performance assessment results as follows:

Individual performance assessment results	80 (inclusive) - 100 points	60 (inclusive) - 80 points	Below 60 points
Corresponding individual unlock proportion	100%	60%	0%

The above share-based payment needs to be amortized in phases during the vesting period. The Fourth Extraordinary General Meeting of Shareholders in 2021 held on November 15, 2021 approved the employee stock ownership plan, and the date when the general meeting of shareholders passed the resolution is confirmed as the grant date. The period after the grant date is the vesting period. For simplification, the period from December 2021 to December 2024 is confirmed as the vesting period. The closing price of RMB15.34 on the grant date is taken as the fair market value. Employees of the Company purchase shares at prices lower than the fair market value. Due to the existence of the vesting period, the incentive cost will be recognized as costs and expenses in phases during the vesting period (from the grant date to the vesting date).

The Company's actual performance in 2022 and 2023 did not meet the assessment standards, and the second and third batches of equity incentives could not be unlocked. The amounts to be recognized as costs and expenses during the vesting period are as follows:

In RMB

Item	2021	2022	2023	2024
Share-based payment	1,280,201.00	10,449,001.00	-2,275,410.00	

The lock-up period of the second batch of shares under the Company's stock ownership plan has expired on January 5, 2024, involving 954,023 shares, including 809,400 shares granted to incentive objects and 144,623 shares reserved. Due to the Company's performance failing to meet the appraisal standards, these shares of share incentive were invalid.

The lock-up period of the third batch of shares under the Company's stock ownership plan has expired on January 5, 2025, involving 954,023 shares, including 809,400 shares granted to incentive objects and 144,623 shares reserved. Due to the Company's performance failing to meet the appraisal standards, these share of incentive shares were invalid.

3. Cash-settled share-based payments

□Applicable ☑N/A

4. Share-based payment expenses for the current period

□Applicable ☑ N/A

XV. Commitments and Contingencies

1. Significant commitments

Significant commitments as of the balance sheet date

As of June 30, 2025, the actual investment of proceeds from the Company's public issuance of convertible bonds is as follows:

In RMB0'000

Committed investment project	Total project investment	Total committed investment from proceeds	Actual cumulative investment from proceeds
Project for production of 3.25 million sets of hydraulic components per annum	21,927.34	18,832.16	11,383.93
Replenishment of working capital	5,000.00	5,000.00	5,000.00
Sub-total	26,927.34	23,832.16	16,383.93

2. Contingencies

(1) The Company shall also disclose if there are no significant contingencies requiring disclosure

The Company has no significant contingencies requiring disclosure.

XVI. Events Subsequent to the Balance Sheet Date

1. Information on other events after the balance sheet date

The Company has no other post-balance sheet events that need to be disclosed.

XVII. Other Significant Events

1. Segment information

(1) If the Company has no reportable segments, or cannot disclose the total assets and total liabilities of each reportable segment, the reasons shall be stated

The Company's principal business is the production and sale of key components for garden machinery, automotive parts and hydraulic components. The Company manages this business as a whole and assesses its operating results accordingly. Therefore, the Company does not need to disclose segment information. For details of the Company's operating income and operating costs by products and geographical regions, please refer to Note VII.36 to the financial statements.

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

1. Accounts receivables

(1) Disclosure by ageing

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	5,658,776.69	46,642,984.87
1-2 years		2,310.00
Total	5,658,776.69	46,645,294.87

(2) Disclosure classified by bad debt provision method

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Incl:										
Accounts receivables for which provision for bad debts is made by group	5, 658, 776. 69	100. 00%	282, 938. 83	5. 00%	5, 375, 837. 86	46, 645, 294. 87	100. 00%	2, 332, 380. 24	5. 00%	44, 312, 914. 63
Incl.:										
Total	5, 658, 776. 69	100. 00%	282, 938. 83	5. 00%	5, 375, 837. 86	46, 645, 294. 87	100. 00%	2, 332, 380. 24	5. 00%	44, 312, 914. 63

Categories name of provisions for bad debts on group basis：Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	5,658,776.69	282,938.83	5.00%
Total	5,658,776.69	282,938.83	

Description of basis for determining the group:

If the provision for bad debts on Accounts receivables is made in accordance with the general expected credit loss model:

☐Applicable ☑N/A

(3) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provisions for bad debts on group basis	2,332,380.24	-1,106,809.20			-942,632.21	282,938.83
Total	2,332,380.24	-1,106,809.20			-942,632.21	282,938.83

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reason for reversal	Method of recovery	Basis and rationality of determining the proportion of original bad debt provision

(4) Accounts receivables actually written off for the current period

In RMB

Item	Write-off amount

Information of significant Accounts receivables that are written off:

In RMB

Entity	Nature of Accounts receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Description of Accounts receivables written off:

No Accounts receivables were written off during the current period.

(5) Top five closing balances of Accounts receivables and contract assets categorized by debtor

In RMB

Entity	Closing balance of Accounts receivables	Closing balance of contract assets	Closing balance of Accounts receivables and contract assets	Proportion of total closing balance of Accounts receivables and contract assets	Closing balance of provisions for bad debts of Accounts receivables and provisions for impairment of contract assets
TTI Partners SPC	3,394,718.72		3,394,718.72	59.99%	169,735.94
Husqvarna AB	1,117,224.30		1,117,224.30	19.74%	55,861.22
MTD PRODUCTS INC	621,685.47		621,685.47	10.99%	31,084.27
Global Sales Group	317,295.93		317,295.93	5.61%	15,864.80
Emak S.p.A.	138,283.34		138,283.34	2.44%	6,914.17
Total	5,589,207.76		5,589,207.76	98.77%	279,460.40

2. Other receivables

In RMB

Item	Closing balance	Opening balance
Other receivables	172,636,236.87	148,910,260.59
Total	172,636,236.87	148,910,260.59

(1) Other receivables

1) Category of other receivables by nature

In RMB

Nature	Closing book balance	Opening book balance
Inter-company receivables	176,711,071.28	151,028,918.08
Security deposit	50,000.00	82,550.00
Export VAT refund receivable		299,310.62
Suspense payments receivable	30,204.43	196,120.24

Total	176,791,275.71	151,606,898.94

2) Disclosure by aging

In RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	61,181,774.72	50,995,430.86
1-2 years	32,059,500.99	24,560,668.08
2-3 years	26,050,000.00	28,550,000.00
Over 3 years	57,500,000.00	47,500,800.00
3-4 years	32,500,000.00	47,500,000.00
4-5 years	25,000,000.00	
Over 5 years		800.00
Total	176,791,275.71	151,606,898.94

3) Disclosure classified by bad debt provision method

In RMB

Category	Closing balance					Opening balance				
	Book balance		Provisions for bad debts		Carrying value	Book balance		Provisions for bad debts		Carrying value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Provision for bad debts on individual basis	107,000,000.00	60.52%			107,000,000.00	107,000,000.00	70.58%			107,000,000.00
Incl.:										
Provision for bad debts on group basis	69,791,275.71	39.48%	4,155,038.84	5.95%	65,636,236.87	44,606,898.94	29.42%	2,696,638.35	6.05%	41,910,260.59
Incl.:										
Total	176,791,275.71	100.00%	4,155,038.84	2.35%	172,636,236.87	151,606,898.94	100.00%	2,696,638.35	1.78%	148,910,260.59

Category name for provisions for bad debts on individual basis:

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In RMB

Name	Opening balance		Closing balance			
	Book balance	Provisions for bad debts	Book balance	Provisions for bad debts	Provision ratio	Reason for provision
Tuson Precision	107,000,000.00		107,000,000.00			Convertible bond borrowings
Total	107,000,000.00		107,000,000.00			

Category name for provisions for bad debts on group basis: Aging group

In RMB

Name	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year	56,681,774.72	2,834,088.74	5.00%
1-2 years	13,059,500.99	1,305,950.10	10.00%
2-3 years	50,000.00	15,000.00	30.00%
Total	69,791,275.71	4,155,038.84	

Description of basis for determining the group:

Provision for bad debts based on the general model of expected credit losses:

In RMB

Provisions for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in the following 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Balance as at January 1, 2025	1,774,771.54	906,066.81	15,800.00	2,696,638.35
Balance as at January 1, 2025 during the current period				
--Transferred to Stage II	-201,529.15	201,529.15		
Provision for the current period	1,260,846.35	198,354.14	-800.00	1,458,400.49
Balance as at June 30, 2025	2,834,088.74	1,305,950.10	15,000.00	4,155,038.84

Basis of segregation and bad debt provisioning ratio by stages

Basis of segregation by stages: On each balance sheet date, the Company measures the expected credit losses of financial instruments at different stages separately. If the credit risk of a financial instrument has not increased significantly since initial recognition, it is in the first stage, and the Company measures the loss provision according to the expected credit loss in the next 12 months; If the credit risk of a financial instrument has increased significantly since initial recognition but has not yet occurred credit impairment, it is in the second stage, and the Company measures the loss provision according to the lifetime expected credit loss of the instrument; If a financial instrument has been credit-impaired since initial recognition, it is in the third stage. The Company measures loss provisions based on the lifetime expected credit loss of the instrument.

Loss provision changes in book balance with significant changes in the current period

☐Applicable ☑N/A

4) Provisions, recovery or reversal of bad debts for the current period

Provisions for bad debts made for the current period:

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Charge-off or write-off	Others	

Provision for bad debts of other receivables	2, 696, 638. 35	1, 458, 400. 49				4, 155, 038. 84
Total	2, 696, 638. 35	1, 458, 400. 49				4, 155, 038. 84

Significant recovery or reversal of bad debt provision for the current period:

In RMB

Entity	Amount of recovery or reversal	Reason for reversal	Method of recovery	Basis and rationality of determining the proportion of original bad debt provision

5) Other receivables actually written off for the current period

In RMB

Item	Write-off amount

Descriptions of significant other receivables that are written off:

In RMB

Entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount arises from related-party transactions

Descriptions of write-off of other receivables:

No other receivables were actually written off in the current period.

6) Top five closing balances of other receivables categorized by debtor

In RMB

Entity	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables	Closing balance of provisions for bad debts
Tuson Precision Machinery (Jiaxing) Co., Ltd.	Convertible bond borrowings	107, 000, 000. 00	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years	60. 52%	
Zhejiang Haolong Electric Co., Ltd	Inter-company receivables	69, 711, 071. 28	Within 1 year, 1-2 years	39. 43%	4, 138, 528. 62
Guizhou Huiqun Trading Co., Ltd.	Security deposit	50, 000. 00	2-3 years	0. 03%	15, 000. 00
Zhejiang Maisheng Machinery Co., Ltd.	Suspense payments receivable	30, 204. 43	Within 1 year	0. 02%	1, 510. 22
Total		176, 791, 275. 71		100. 00%	4, 155, 038. 84

3. Long-term equity investments

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	292, 212, 865. 94		292, 212, 865. 94	292, 212, 865. 94		292, 212, 865. 94
Total	292, 212, 865. 94		292, 212, 865. 94	292, 212, 865. 94		292, 212, 865. 94

(1) Investments in subsidiaries

In RMB

Investees	Opening balance (Carrying value)	Opening balance of provision for impairment	Changes during the current period				Closing balance (Carrying value)	Closing balance of provision for impairment
			Additional investment	Decreased investment	Provision for impairment	Others		
Tuson Precision	187, 744, 930. 47						187, 744, 930. 47	
Haolong Electric Company	48, 043, 155. 99						48, 043, 155. 99	
Fenglong HK Company	32, 397, 850. 00						32, 397, 850. 00	
Fenglong Technology Company	15, 973, 622. 01						15, 973, 622. 01	
Hangzhou Fenglong Company	3, 238, 272. 00						3,238,272.00	
Maisheng Machinery Company	4, 815, 035. 47						4,815,035.47	
Total	292, 212, 865. 94						292, 212, 865. 94	

4. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	57, 901, 878. 80	44, 282, 416. 84	80, 308, 020. 36	64, 099, 587. 39
Other business	1, 954, 402. 76	1, 585, 222. 43	1, 609, 780. 40	617, 946. 08
Total	59, 856, 281. 56	45, 867, 639. 27	81, 917, 800. 76	64, 717, 533. 47

Decomposition information of operating income and operating cost:

In RMB

Category of contract	Segment 1		Segment 2				Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Type of business								
Incl.:								
Garden machinery	54,256,551.02	40,668,061.70					54,256,551.02	40,668,061.70
Others	5,599,730.54	5,199,577.57					5,599,730.54	5,199,577.57
By operating region								
Incl.:								
Domestic	44,773,217.51	35,078,704.68					44,773,217.51	35,078,704.68
Overseas	15,083,064.05	10,788,934.59					15,083,064.05	10,788,934.59
By market or customer type								
Incl.:								
By contract type								
Incl.:								
By transfer time of goods								
Incl.:								
Revenue recognized at a point in time	59,856,281.56	45,867,639.27					59,856,281.56	45,867,639.27
By term of contract								
Incl.:								
By sales channel								
Incl.:								
Total	59,856,281.56	45,867,639.27					59,856,281.56	45,867,639.27

Information related to performance obligations:

Item	Time of satisfaction of performance obligations	Important payment terms	The nature of the commodity that the Company undertakes to transfer	Whether the principal responsible person	Amounts borne by the Company that are expected to be refunded to customers	Types of quality assurance provided by the Company and related obligations

Other information

Information related to transaction prices allocated to remaining performance obligations:

The revenue corresponding to performance obligations under contracts signed but not yet performed or not yet fully performed as at the end of the reporting period amounts to RMB0.00.

Significant contract changes or significant transaction price adjustments

In RMB

Item	Accounting treatment method	Amount of impact on revenue

Other information:

5. Investment income

In RMB

Item	Amount in the current period	Amount in the prior period
Interest on borrowings from related parties	2,221,214.77	2,012,103.90
Investment income from wealth management products	221,917.81	1,099,944.65
Interest on bill discounting	-184,233.78	
Total	2,258,898.80	3,112,048.55

6. Others

(1) Research and development expenses

Item	Amount in the current period	Amount in the prior period
Employee benefits	1,501,517.33	2,588,174.21
Direct materials	602,854.76	348,349.76
Depreciation and amortization	199,323.89	313,119.48
Certification fees	43,807.92	38,837.64
Utilities	25,106.82	33,858.32
Others		884.96
Total	2,372,610.72	3,323,224.37

XIX. Supplementary information

1. Statement of non-recurring gain or loss for the current period

☑Applicable ☐N/A

In RMB

Item	Amount	Remark
Gain or loss on disposal of non-current assets	78,352.62	It is the profit and loss arising from the disposal of fixed assets in the current period. For details, please refer to Note 46 to the consolidated financial statements
Government grants recognized in profit or loss (excluding those that are closely related to the Company's normal business operations, comply with national policies and regulations, are enjoyed according to determined standards, and have a continuous impact on the Company's profits and losses)	1,158,522.66	It is a government subsidy related to income in the current period. For details, please refer to the explanation of Note 42 to the consolidated financial statements
Gain or loss on investment or asset management by commissioned parties	1,003,119.87	It is the investment income of financial products. For details, please refer to the explanation of Note 43 to the consolidated financial statements

Reversal of impairment provision for receivables subject to separate impairment testing	330,706.28	For details, please refer to the explanation of Notes 3 and 4 to the consolidated financial statements
Other non-operating income and expenses other than the above items	-44,572.60	Mainly external donations, etc. For details, please refer to the explanations in Notes 47 and 48 to the consolidated financial statements
Less: Effect on income tax	277,565.81	
Total	2,248,563.02	--

Details of other gain or loss items that meet the definition of non-recurring gain or loss:

☐Applicable☑ N/A

The Company does not have other specific circumstances of profit and loss items that meet the definition of non-recurring profit and loss.

Explanations for classifying non-recurring gain or loss items enumerated in the Explanatory Announcement No. 1 for Public Company Information Disclosures – Non-recurring Profits and Losses as recurring gain or loss items

☐Applicable ☑N/A

2. Return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to the Company's ordinary shareholders	1.72%	0.07	0.07
Net profit attributable to the Company's ordinary shareholders after deduction of non-recurring gain or loss	1.47%	0.06	0.06

3. Accounting data differences arising from accounting standard of the PRC and the International Accounting Standards

(1) Differences in net profits and net assets in the financial reports disclosed concurrently under international accounting standards and Chinese accounting standards

☐Applicable ☑N/A

(2) Differences in net profits and net assets in the financial reports disclosed concurrently under overseas accounting standards and Chinese accounting standards

☐Applicable ☑N/A

(3) Explanation about the accounting data differences under overseas accounting standards and Chinese accounting standards, and if the data audited by a foreign firm have been reconciliated for such differences, name of such foreign firm

Zhejiang Fenglong Electric Co., Ltd.
Legal representative and Chairman: Dong Jiangang
August 25, 2025

IV Quarterly Financial Report

(I) Financial Statements

1. Consolidated balance sheet

Prepared by: Zhejiang Fenglong Electric Co., Ltd.

September 30, 2025

In RMB

Item	Closing balance	Opening balance
Current assets:		
Cash at bank and on	145, 254, 369. 45	162, 986, 286. 03
Balances with clearing agencies		
Placements with banks and other financial institutions		
Financial assets held for trading	146, 000, 000. 00	107, 050, 000. 00
Derivative financial assets		
Notes receivable		
Accounts receivables	135, 207, 485. 92	143, 480, 428. 28
Receivable financing	30, 193, 696. 03	24, 768, 989. 48
Prepayments	9, 211, 499. 18	7, 475, 807. 97
Premium receivable		
Amounts receivable under reinsurance contracts		
Reinsurer’s share of insurance contract reserves		
Other receivables	1, 033, 994. 91	1, 263, 357. 86
Incl.: Interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	135, 417, 014. 09	135, 293, 026. 90
Of which: Data resources		
Contract assets	4, 116, 012. 33	5, 983, 389. 47
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	2, 147, 493. 72	4, 115, 942. 16
Total current assets	608, 581, 565. 63	592, 417, 228. 15

Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other investments in equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	283, 584, 523. 99	302, 582, 794. 08
Construction in progress	161, 382, 772. 28	160, 285, 463. 29
Bearer biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	59, 088, 542. 32	61, 352, 420. 43
Of which: Data resources		
Development expenditure		
Of which: Data resources		
Goodwill	8, 590, 821. 10	8, 710, 546. 60
Long-term prepaid expenses	297, 251. 16	442, 776. 09
Deferred tax assets	7, 649, 318. 48	5, 984, 401. 06
Other non-current assets	973, 300. 00	1, 335, 250. 00
Total non-current assets	521, 566, 529. 33	540, 693, 651. 55
Total assets	1, 130, 148, 094. 96	1, 133, 110, 879. 70
Current liabilities:		
Short-term borrowings	57, 014, 555. 56	45, 002, 000. 00
Loans from the central bank		
Taking from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	14, 890, 697. 40	10, 827, 634. 74
Accounts payables	83, 135, 087. 05	120, 473, 723. 66
Receipts in advance		
Contract liabilities	1, 360, 315. 96	843, 005. 28
Financial assets sold under repurchase agreements		
Customer deposits and deposits from banks and other financial institutions		
Funds from securities trading agency		
Funds from underwriting securities agency		
Employee benefits payable	10, 039, 935. 54	10, 901, 120. 64
Taxes payable	7, 050, 335. 94	5, 676, 737. 20
Other payables	757, 576. 81	6, 770, 681. 75

Incl.: Interest payable		
Dividends payable		
Fees and commissions payable		
Amounts payable under reinsurance contracts		
Held-for-sale liabilities		
Non-current liabilities to be settled within one year		3, 114, 259. 20
Other current liabilities	64, 119. 54	109, 590. 69
Total current liabilities	174, 312, 623. 80	203, 718, 753. 16
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		
Bonds payable		158, 255, 305. 03
Incl.: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	4, 040, 683. 61	4, 538, 503. 67
Deferred tax liabilities	1, 563, 998. 46	1, 798, 754. 35
Other non-current liabilities		
Total non-current liabilities	5, 604, 682. 07	164, 592, 563. 05
Total liabilities	179, 917, 305. 87	368, 311, 316. 21
Owner's equity:		
Share capital	218, 505, 856. 00	204, 790, 102. 00
Other equity instruments		44, 014, 730. 59
Incl.: Preference shares		
Perpetual bonds		
Capital reserve	407, 647, 465. 06	208, 647, 994. 45
Less: Treasury shares		6, 277, 472. 00
Other comprehensive income	24, 839. 27	164, 794. 29
Special reserve		
Surplus reserve	27, 186, 161. 35	27, 186, 161. 35
General risk reserve		
Undistributed profit	296, 866, 467. 41	286, 273, 252. 81
Total equity attributable to owners of the parent company	950, 230, 789. 09	764, 799, 563. 49
Minority interests		
Total owners' equity	950, 230, 789. 09	764, 799, 563. 49
Total liabilities and owners' equity	1, 130, 148, 094. 96	1, 133, 110, 879. 70

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

2. Consolidated Income Statement from the Beginning of the Year to the End of the Reporting Period

In RMB

Item	Current period amount	Previous period amount
I. Total operating revenue	373, 086, 597. 23	340, 803, 340. 72

Incl.: Operating revenue	373, 086, 597. 23	340, 803, 340. 72
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	348, 908, 923. 85	341, 735, 461. 80
Incl.: Operating cost	288, 942, 322. 46	275, 852, 248. 29
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims expenses		
Net provision for insurance reserve		
Insurance policyholder dividends		
Expenses for reinsurance accepted		
Taxes and surcharges	4, 426, 136. 43	4, 127, 045. 34
Selling expenses	7, 717, 076. 91	6, 945, 054. 30
Administrative expenses	32, 422, 512. 54	33, 904, 833. 61
Research and development expenses	18, 878, 176. 41	19, 754, 036. 27
Financial expenses	-3, 477, 300. 90	1, 152, 243. 99
Incl.: Interest expenses	1, 210, 203. 00	2, 892, 189. 11
Interest income	1, 610, 744. 05	1, 391, 260. 73
Add: Other income	2, 952, 929. 55	4, 468, 242. 20
Investment income (loss is indicated by "-")	1, 131, 344. 18	1, 060, 804. 65
Incl.: Income from investments in associates and joint ventures		
Income from derecognition of financial assets measured at amortized cost		
Foreign exchange gains (loss is indicated by "-")		
Net exposure hedging income (loss is indicated by "-")		
Gains from changes in fair value (loss is indicated by "-")		
Credit impairment loss (loss is indicated by "-")	142, 742. 17	-494, 379. 85
Impairment losses of assets (loss is indicated by "-")	-3, 224, 544. 56	-328, 363. 88
Gains from disposal of assets (loss is indicated by "-")	88, 918. 33	-1, 975, 501. 31
III. Operating profit (loss is indicated by "-")	25, 269, 063. 05	1, 798, 680. 73
Add: Non-operating revenue	60, 009. 96	7, 137. 56
Less: Non-operating expenses	115, 691. 84	309, 840. 06
IV. Total profit (total losses are indicated by "-")	25, 213, 381. 17	1, 495, 978. 23

Less: Income tax expense	3,694,873.77	310,375.80
V. Net profit (net loss is indicated by "-")	21,518,507.40	1,185,602.43
(I) Categorized by the nature of continuing operation		
1. Net profit from continuing operations (net loss is indicated by "-")	21,518,507.40	1,185,602.43
2. Net profit from discontinued operations (net loss is indicated by "-")		
(II) Categorized by ownership		
1. Net profit attributable to shareholders of the parent company (net loss is indicated by "-")	21,518,507.40	1,185,602.43
2. Profit or loss attributable to minority interests (net loss is indicated by "-")		
VI. Other comprehensive income, net of tax	-139,955.02	-145,189.43
Other comprehensive income attributable to owners of the parent company, net of tax	-139,955.02	-145,189.43
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Changes from re-measurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		
3. Changes in fair value of other investments in equity instruments		
4. Changes in fair value of enterprises' own credit risks		
5. Others		
(II) Other comprehensive income that will be reclassified to profit or loss	-139,955.02	-145,189.43
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amounts of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve for cash flow hedges		
6. Translation differences of financial statements denominated in foreign currencies	-139,955.02	-145,189.43
7. Others		
Other comprehensive income attributable to minority interests, net of tax		
VII. Total comprehensive income	21,378,552.38	1,040,413.00
(I) Total comprehensive income attributable to owners of the parent company	21,378,552.38	1,040,413.00
(II) Total comprehensive income attributable to minority interests		
VIII. Earnings per share		
(I) Basic earnings per share	0.1	0.01
(II) Diluted earnings per share	0.1	0.01

With respect to the business mergers involving entities under common control consummated in the current period, the net profit of the acquirees was nil prior to the merger, and nil in the prior period.

Legal representative: Dong Jiangang CFO: Xia Huanqiang Chief accountant: Xia Huanqiang

3. Consolidated Cash Flow Statement from Beginning of Year to End of Reporting Period

In RMB

In RMB

Item	Current period amount	Previous period amount
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	388, 009, 193. 27	355, 674, 106. 37
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from the central bank		
Net increase in taking from banks and other financial institutions		
Cash receipts from premiums under direct insurance contracts		
Net cash receipts from reinsurance business		
Net cash receipts from policyholders' deposits and investment contract liabilities		
Cash receipts from interest, fees and commissions		
Net increase in taking from banks and other financial institutions		
Net increase in financial assets sold under repurchase arrangements		
Net cash received from securities trading agency		
Receipts of tax refunds	6, 040, 239. 37	8, 704, 791. 50
Other cash receipts relating to operating activities	27, 265, 165. 61	16, 925, 505. 54
Sub-total of cash inflows from operating activities	421, 314, 598. 25	381, 304, 403. 41
Cash payments for goods purchased and services received	286, 028, 551. 82	255, 196, 860. 75
Net increase in loans and advances to customers		
Net increase in balance with the central bank and due from banks and other financial institutions		
Cash payments for claims and policyholders' benefits under direct insurance contracts		
Net increase in placements with banks and other financial institutions		
Cash payments for interest, fees and commissions		
Cash payments for insurance policyholder dividends		
Cash payments to and on behalf of employees	63, 089, 454. 75	77, 168, 362. 02
Payment of various types of taxes	11, 815, 237. 70	9, 556, 553. 84
Other cash payments relating to operating activities	37, 156, 971. 35	27, 117, 003. 65
Sub-total of cash outflows from operating activities	398, 090, 215. 62	369, 038, 780. 26
Net cash flows from operating activities	23, 224, 382. 63	12, 265, 623. 15
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	472, 412, 000. 00	779, 583, 000. 00
Cash receipts from investment income	1, 964, 521. 85	3, 014, 912. 70
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	163, 570. 00	2, 116, 183. 54

Net cash receipts from disposals of subsidiaries and other business entities		
Other cash receipts relating to investing activities		1,504,096.69
Sub-total of cash inflows from investing activities	474,540,091.85	786,218,192.93
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	12,957,008.43	40,596,259.60
Cash payments to acquire investments	511,362,000.00	754,840,000.00
Net increase in pledged loans receivable		
Net cash payments for acquisitions of subsidiaries and other business entities		
Other cash payments relating to investing activities		
Sub-total of cash outflows from investing activities	524,319,008.43	795,436,259.60
Net cash flows from investment activities	-49,778,916.58	-9,218,066.67
III. Cash flows from financing activities:		
Cash receipts from investments by others		
Incl.: Cash received by subsidiaries from minority shareholders' investments		
Cash receipts from borrowings	111,000,000.00	43,748,110.50
Other cash receipts relating to financing activities	9,619,383.89	
Sub-total of cash inflows from financing activities	120,619,383.89	43,748,110.50
Cash repayments of borrowings	100,152,821.56	49,248,110.50
Cash payments for distribution of dividends or profits or settlement of interest expenses	14,498,079.82	3,247,051.86
Incl.: Dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities		
Sub-total of cash outflows from operating activities	114,650,901.38	52,495,162.36
Net cash flows from financing activities	5,968,482.51	-8,747,051.86
IV. Effect of foreign exchange rate changes on cash and cash equivalents	1,601,448.56	603,293.39
V. Net increase in cash and cash equivalents	-18,984,602.88	-5,096,201.99
Add: Opening balance of cash and cash equivalents	157,826,342.65	142,521,631.80
VI. Closing balance of cash and cash equivalents	138,841,739.77	137,425,429.81

(II) Adjustments to Relevant Items in the Opening Financial Statements for the First Year of Initial Application of New Accounting Standards Starting in 2025

☐Applicable ☑N/A

(III) Audit Report

Has the third quarter financial accounting report been audited

☐Yes ☑ No

The Company's third quarter financial accounting report has not been audited.

The Board of Zhejiang Fenglong Electric Co., Ltd.
October 30, 2025

Set out below is certain financial information on the unaudited consolidated financial statements of the Target Company for the nine months ended September 30, 2025.

1.Consolidated statement of changes in owners' equity

Item	Nine months ended September 30, 2025														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	204,790,102.00			44,014,730.59	208,647,994.45	6,277,472.00	164,794.29		27,186,161.35		286,273,252.81		764,799,563.49		764,799,563.49
Add: Changes in accounting policies															
Corrections of prior period errors															
Others															
I. Opening balance of the current year	204,790,102.00			44,014,730.59	208,647,994.45	6,277,472.00	164,794.29		27,186,161.35		286,273,252.81		764,799,563.49		764,799,563.49
III. Changes for the current period (decrease is indicated by "-")	13,715,754.00			-44,014,730.59	198,999,470.61	-6,277,472.00	-139,955.02				10,593,214.60		185,431,225.60		185,431,225.60
(I) Total comprehensive income							-139,955.02				21,518,507.40		21,378,552.38		21,378,552.38
(II) Owners' contributions and reduction in capital	13,715,754.00			-44,014,730.59	198,999,470.61	-6,277,472.00							174,977,966.02		174,977,966.02
1. Ordinary shares contributed by owners					189,380,086.72								189,380,086.72		189,380,086.72
2.Capital contribution from holders of other equity instruments	13,715,754.00			-44,014,730.59									-30,298,976.59		-30,298,976.59
3. Share-based payment recognized in owners' equity															
4. Others					9,619,383.89	-6,277,472.00							15,896,855.89		15,896,855.89
(III) Profit distribution											-10,925,292.80		-10,925,292.80		-10,925,292.80
1. Transfer to surplus reserve															
2. Transfer to general risk reserve															
3. Distributions to owners (shareholders)											-10,925,292.80		-10,925,292.80		-10,925,292.80
4. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve (or conversion to share capital)															
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the current period															

2. Amount utilized in the current period														
(VI) Others														
IV. Closing balance of the current period	218,505,856.00				407,647,465.06		24,839.27		27,186,161.35		296,866,467.41		950,230,789.09		950,230,789.09

Item	Nine months ended September 30, 2024														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity Share capital
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
I. Closing balance of the prior year	204,772,749.00			44,070,444.02	202,564,691.11	12,554,944.00	-447.50		27,186,161.35		302,159,033.06		768,197,687.04		768,197,687.04
Add: Changes in accounting policies															
Corrections of prior period errors															
Others															
I. Opening balance of the current year	204,772,749.00			44,070,444.02	202,564,691.11	12,554,944.00	-447.50		27,186,161.35		302,159,033.06		768,197,687.04		768,197,687.04
III. Changes for the current period (decrease is indicated by "-")	14,244.00			-45,791.86	1,693,884.31		-145,189.43				-19,293,096.87		-17,775,949.85		-17,775,949.85
(I) Total comprehensive income							-145,189.43				1,185,602.43		1,040,413.00		1,040,413.00
(II) Owners' contributions and reduction in capital	14,244.00			-45,791.86	189,787.62								158,239.76		158,239.76
1. Ordinary shares contributed by owners					189,787.62								189,787.62		189,787.62
2.Capital contribution from holders of other equity instruments	14,244.00			-45,791.86									-31,547.86		-31,547.86
3. Share-based payment recognized in owners' equity															
4. Others															
(III) Profit distribution											-20,478,699.30		-20,478,699.30		-20,478,699.30
1. Transfer to surplus reserve															
2. Transfer to general risk reserve															
3. Distributions to owners (shareholders)											-20,478,699.30		-20,478,699.30		-20,478,699.30
4. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve															

(or conversion to share capital)															
2. Capitalization of surplus reserve (or conversion to share capital)															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the current period															
2. Amount utilized in the current period															
(VI) Others					1,504,096.69								1,504,096.69		1,504,096.69
IV. Closing balance of the current period	204,786,993.00			44,024,652.16	204,258,575.42	12,554,944.00	-145,636.93		27,186,161.35		282,865,936.19		750,421,737.19		750,421,737.19

Supplemental information on the unaudited consolidated financial statements of Zhejiang Fenglong Electric Co., Ltd. for the nine months ended September 30, 2025

II. Basic Information of the Company

Zhejiang Fenglong Electric Co., Ltd. (hereinafter referred to as "the Company") was formerly Shaoxing Fenglong Motor Co., Ltd. (hereinafter referred to as "Fenglong Motor"). Using January 31, 2016 as the reference date, Fenglong Motor was restructured in its entirety into a joint stock company and was registered with the Shaoxing Administration for Market Regulation on April 11, 2016. The Company is headquartered in Shaoxing, Zhejiang Province. The Company currently holds a business license with Unified Social Credit Code 913306047498339794, with registered capital of RMB199.0912 million and total share capital of 218,505,856 shares (par value of RMB1 per share). Of these, restricted tradable shares comprise 17,894,284 A shares, and unrestricted tradable shares comprise 200,611,572 A shares. The Company's shares were listed on the Shenzhen Stock Exchange on April 3, 2018.

The Company operates in the special equipment manufacturing industry. Its principal activities include the research and development, production and sales of garden machinery components, automotive parts and hydraulic components. Major products include key components for garden machinery such as igniters, flywheels and cylinders, precision aluminium die-cast automotive components, and hydraulic components.

III. Basis of Preparation of Financial Statements

1. Basis of preparation

The Company's financial statements are prepared on a going-concern basis.

2. Going-concerning

The Company has detected no events or circumstances that may cast significant doubt upon its ability to continue as a going concern within 12 months from the reporting period.

3. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company conform to 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 related information.

4. Accounting period

The Company's accounting year is from January 1 to December 31 of each calendar year.

5. Operating cycle

The Company has a relatively short operating cycle, and determines the liquidity of assets and liabilities on the basis of 12 months.

IV. Significant Accounting Policies and Accounting Estimates

The Company has formulated the specific accounting policies and made the specific accounting estimates with respect to the impairment of financial instruments, inventory, depreciation of fixed assets, construction in progress, intangible assets, recognition of revenues and other transactions and events according to the actual production and operation characteristics of the Company.

The accounting policies adopted are consistent with those of the annual financial statement for the year ended December 31, 2024 and the interim financial statement for the six months ended June 30, 2025 as described in those annual financial report and interim financial report. Income tax expense was recognised based on management's estimate of the annual income tax rate expected for the full financial year.

In preparing this interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement for the year ended December 31, 2024 and the interim financial statement for the six months ended June 30, 2025.

Supplemental information on the unaudited consolidated financial statements of Zhejiang Fenglong Electric Co., Ltd. for the nine months ended September 30, 2025

V. Notes to Items in the Consolidated Financial Statements

1. Cash at bank and on hand

In RMB

Item	Closing balance	Opening balance
Cash on hand	112,614.28	73,989.34
Bank deposits	138,725,212.51	157,748,202.35
Other monetary funds	6,416,542.66	5,164,094.34
Total	145,254,369.45	162,986,286.03
Incl.: Total amount of funds deposited overseas	11,745,409.12	12,370,304.93

Description of restricted funds

Item	Closing balance	Opening balance
Deposits for bank acceptances	6,412,629.68	5,159,943.38
Sub-total	6,412,629.68	5,159,943.38

2. Financial assets held for trading

In RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	146,000,000.00	107,050,000.00
Incl.:		
Wealth management products	146,000,000.00	107,050,000.00
Incl.:		
Total	146,000,000.00	107,050,000.00

3.Accounts receivables

Disclosure by aging

Ageing	Closing balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year (inclusive)	139,264,279.16	6,963,213.96	5.00%
1-2 years	1,474,972.92	147,497.29	10.00%
2-3 years	1,743,294.03	522,988.21	30.00%
Over 3 years	717,278.54	358,639.27	50.00%
Total	143,199,824.65	7,992,338.73	

Ageing	Opening balance		
	Book balance	Provisions for bad debts	Provision ratio
Within 1 year (inclusive)	147,809,094.33	7,405,722.45	5.01%
1-2 years	2,085,386.75	208,538.68	10.00%
2-3 years	1,714,583.33	514,375.00	30.00%
Total	151,609,064.41	8,128,636.13	

4. Receivable financing

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills	30,193,696.03	24,768,989.48
Total	30,193,696.03	24,768,989.48

5. Prepayments

Prepayments by aging

In RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	8,484,204.31	92.10%	6,278,412.21	83.98%
1-2 years	303,237.26	3.29%	808,988.66	10.82%
2-3 years	136,664.60	1.49%	128,662.52	1.72%
Over 3 years	287,393.01	3.12%	259,744.58	3.48%
Total	9,211,499.18		7,475,807.97	

Description of reasons for the failure to settle prepayments with an aging period exceeding one year and significant amounts:

There were no significant prepayments aged over 1 year at period end.

6. Inventories

Categories of inventories

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value	Book balance	Provision for decline in value of inventories or for impairment of contract performance costs	Carrying value
Raw materials	54,273,949.11	9,483,085.75	44,790,863.36	57,742,968.25	8,744,853.80	48,998,114.45
Work in process	28,209,632.48	1,313,536.84	26,896,095.64	26,935,604.11	440,434.46	26,495,169.65
Goods on hand	54,406,624.99	5,004,616.56	49,402,008.43	42,549,749.62	3,117,421.33	39,432,328.29
Turnover materials	6,249,747.11	449,766.15	5,799,980.96	6,975,650.90	469,381.17	6,506,269.73

Goods upon delivery	6, 526, 360. 18		6, 526, 360. 18	11, 015, 713. 98		11, 015, 713. 98
Work in process held by subcontractors	2, 001, 705. 52		2, 001, 705. 52	2, 845, 430. 80		2, 845, 430. 80
Total	151, 668, 019. 39	16, 251, 005. 30	135, 417, 014. 09	148, 065, 117. 66	12, 772, 090. 76	135, 293, 026. 90

Provision for decline in value of inventories and for impairment of contract performance costs

In RMB

Item	Opening balance	Increase during the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	8,744,853.80	755,250.49		17,018.54		9,483,085.75
Work in process	440,434.46	873,102.38				1,313,536.84
Goods on hand	3,117,421.33	1,889,384.17		2,188.94		5,004,616.56
Turnover materials	469,381.17			19,615.02		449,766.15
Total	12,772,090.76	3,517,737.04		38,822.50		16,251,005.30

7.Accounts payables

Disclosure by aging

Ageing	Closing balance	Opening balance
Within 1 year (inclusive)	72,980,255.49	102,753,854.44
1-2 years	1,571,040.92	10,415,497.75
2-3 years	1,830,799.94	6,882,593.25
Over 3 years	6,752,990.70	421,778.22
Total	83,135,087.05	120,473,723.66

8.Short-term borrowings

Maturity analysis

Bank loans to be repaid:	Closing balance	Opening balance
Within 1 year (inclusive)	57,014,555.56	45,002,000.00
1-2 years	-	-
2-5 years	-	-
Over 3 years	-	-
Total	57,014,555.56	45,002,000.00

9. Taxes payable

In RMB

Item	Closing balance	Opening balance
VAT	408, 448. 92	215, 969. 38
Enterprise income tax	3, 982, 690. 77	1, 270, 360. 03
Individual income tax	124, 263. 79	97, 169. 71

Urban maintenance and construction tax	165,619.31	203,827.52
Property tax	1,248,504.73	2,371,861.69
Land use tax	966,915.09	1,347,949.51
Education surcharges	81,164.34	87,354.65
Local education surcharges	54,109.56	58,236.43
Stamp duty	18,619.43	24,008.28
Total	7,050,335.94	5,676,737.20

10. Bonds payable

In RMB

Item	Closing balance	Opening balance
Convertible bonds		158,255,305.03
Total		158,255,305.03

Upon approval from the China Securities Regulatory Commission in the Reply on Approval of Public Issuance of Convertible Bonds by Zhejiang Fenglong Electric Co., Ltd. (CSRC License [2020] No. 3335), the Company publicly issued convertible bonds with a par value of RMB245 million on January 8, 2021 (hereinafter referred to as the "convertible bonds"). The convertible bonds have a term of six years with interest paid annually. The principal and the interest for the final year will be repaid at maturity. The coupon rates are 0.5% for the first year, 0.7% for the second year, 1.2% for the third year, 1.8% for the fourth year, 2.5% for the fifth year and 3.0% for the sixth year. The conversion period commences from the first trading day six months after the completion of issuance and ends on the maturity date of the convertible bonds (i.e., from July 14, 2021 to January 7, 2027). The initial conversion price was RMB17.97 per share. In June 2021, as a result of the implementation of the Company's 2020 profit distribution plan, the conversion price was adjusted to RMB12.73 per share, and the adjusted conversion price became effective on June 8, 2021. In June 2022, as a result of the implementation of the Company's 2021 profit distribution plan, the conversion price was adjusted to RMB12.63 per share, and the adjusted conversion price became effective on June 29, 2022. In September 2024, due to the Company's implementation of the 2024 semi-annual profit distribution plan, the conversion price was adjusted to RMB12.53 per share, and the adjusted conversion price will take effect from October 24, 2024.

According to the 23rd meeting of the third board of directors held on February 11, 2025, from December 30, 2024 to February 11, 2025, the Company's share has at least 15 in any 30 consecutive trading days. If the closing price of the trading day is higher than 130% (RMB16.289/share) of the current conversion price (RMB12.53/share), according to the "Prospectus for the Public Issuance of Convertible Corporate Bonds of Zhejiang Fenglong Electric Co., Ltd."(《浙江鋒龍電氣股份有限公司公開發行可轉換公司債券募集說明書》), the "conditional redemption clause" of "Fenglong Convertible Bonds(锋龙转债)"has been triggered, and the redemption price is RMB100.38/piece (including interest and tax, the current period is the fifth year, with an annual interest rate of 2.5%). As of March 13, 2025, all "Fenglong Convertible Bonds" have been redeemed and delisted from the Shenzhen Stock Exchange. In 2025, the holders of "Fenglong Convertible Bonds" converted a total of 1,718,660 convertible bonds, increasing the Company's share capital by RMB13,715,754, capital reserve of RMB189,173,274.64, and the Company redeemed 11,484 convertible bonds, with a total redemption amount of RMB1,152,763.92.

11. Operating revenues and operating costs

In RMB

Item	Amount in the current period		Amount in the prior period	
	Revenue	Cost	Revenue	Cost
Primary business	371,371,398.69	287,163,170.94	338,795,845.61	274,944,259.41
Other business	1,715,198.54	1,779,151.52	2,007,495.11	907,988.88
Total	373,086,597.23	288,942,322.46	340,803,340.72	275,852,248.29

Decomposition information of operating income and operating cost:

In RMB

Category of contract	Segment 1		Segment 2				Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Type of business								
Incl.:								
Garden machinery	138, 424, 661. 24	104, 310, 766. 30					138, 424, 661. 24	104, 310, 766. 30
Automotive parts	89, 311, 850. 77	73, 869, 947. 25					89, 311, 850. 77	73, 869, 947. 25
Hydraulic components	104, 947, 415. 27	80, 623, 609. 99					104, 947, 415. 27	80, 623, 609. 99
Others	40, 402, 669. 95	30, 137, 998. 92					40, 402, 669. 95	30, 137, 998. 92
By operating region								
Incl.:								
Domestic	239, 776, 129. 78	190, 049, 356. 13					239, 776, 129. 78	190, 049, 356. 13
Overseas	133, 310, 467. 45	98, 892, 966. 33					133, 310, 467. 45	98, 892, 966. 33
By market or customer type								
Incl.:								
By contract type								
Incl.:								
By transfer time of goods								
Incl.:								
Revenue recognized at a point in time	373, 086, 597. 23	288, 942, 322. 46					373, 086, 597. 23	288, 942, 322. 46
By term of contract								
Incl.:								
By sales channel								
Incl.:								
Total	373, 086, 597. 23	288, 942, 322. 46					373, 086, 597. 23	288, 942, 322. 46

Supplemental information on the unaudited consolidated financial statements of Zhejiang Fenglong Electric Co., Ltd. for the nine months ended September 30, 2025

12. Taxes and surcharges

In RMB

Item	Amount in the current period	Amount in the prior period
Urban maintenance and construction tax	880,809.27	674,641.10
Education surcharges	404,253.91	304,968.00
Property tax	1,652,827.70	1,665,981.59
Land use tax	972,853.78	1,020,956.28
Vehicle and vessel tax	2,564.88	2,564.88
Stamp duty	243,324.27	254,621.49
Local education surcharges	269,502.62	203,312.00
Total	4,426,136.43	4,127,045.34

13. Income tax expenses

In RMB

Item	Amount in the current period	Amount in the prior period
Current income tax expenses	5,594,547.08	1,648,821.33
Deferred income tax expenses	-1,899,673.31	-1,338,445.53
Total	3,694,873.77	310,375.80

14. Return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to the Company's ordinary shareholders	2.37	0.10	0.10
Net profit attributable to the Company's ordinary shareholders after deduction of non-recurring gain or loss	2.11	0.09	0.09

15. Dividends

Final dividend for 2024 of RMB10,925,292.80 was paid during the nine months ended September 30, 2025 (for the nine months ended September 30, 2024: Nil).

The Board did not declare an interim dividend for the nine months ended September 30, 2025 (for the nine months ended September 30, 2024: declared an interim dividend amounting to RMB20,478,699.30 for the six months ended June 30, 2024).

VI. Risks Related to Financial Instruments

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyze its exposure to

various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The Company is exposed to various risks associated with financial instruments in its daily routines, primarily including credit risk, liquidity risk and market risk.

There have been no material changes in the risk management policies for the nine months ended September 30, 2025.

VII. Commitments and Contingencies

1. Significant commitments

Significant commitments as of the balance sheet date

1. As of September 30, 2025, the actual investment of proceeds from the Company's public issuance of convertible bonds is as follows:

In RMB0'000

Committed investment project	Total project investment	Total committed investment from proceeds	Actual cumulative investment from proceeds
Project for production of 3.25 million sets of hydraulic components per annum	21,927.34	18,832.16	11,443.84
Replenishment of working capital	5,000.00	5,000.00	5,000.00
Sub-total	26,927.34	23,832.16	16,443.84

2. Contingencies

The Company has no significant contingencies requiring disclosure.

VIII. Events Subsequent to the Balance Sheet Date

The Company has no other post-balance sheet events that need to be disclosed.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

Introduction

On December 24, 2025, UBTECH ROBOTICS CORP LTD (the "**Company**") entered into a share transfer agreement (the "**Share Transfer Agreement**") with Zhejiang Chengfeng Investment Co., Ltd. ("**Chengfeng Investment**"), Mr. Dong Jiangang, Ms. Li Caixia and Ningbo Fengchi Investment Co., Ltd. ("**Fengchi Investment**") (collectively the "**Vendors**") to acquire the issued shares of Zhejiang Fenglong Electric Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002931.SZ) (the "**Target Company**").

Pursuant to the Share Transfer Agreement, the Company has conditionally agreed to acquire, and Chengfeng Investment has conditionally agreed to sell, a total of 65,529,906 A Shares of the Target Company (representing approximately 29.99% of the entire issued shares of the Target Company, the "**Sale Shares**") at a price of RMB17.72 per A Share. Subject to the completion of the transfer of the Sale Shares, the Company shall make a Partial Offer to the existing shareholders of the Target Company to acquire additional 28,450,000 A Shares (representing approximately 13.02% of the issued shares of the Target Company) at the price of RMB17.72 per A Share. The total consideration for the Sale Shares and Partial Offer amounting to RMB1,665 million shall be satisfied by cash (the "**Acquisition**").

The Vendors have agreed and irrevocably undertaken that they shall apply for the pre-acceptance of the Partial Offer with respect to 28,427,612 A Shares (the "**Pre-acceptance Shares**") (representing approximately 13.01% of the issued shares of the Target Company), and go through all the relevant procedures for the pre-acceptance. In addition, the Vendors have undertaken to voluntarily give up the exercise of their voting rights over the Pre-acceptance Shares for the period commencing from the completion of the transfer of the Sales Shares to the completion of the Partial Offer unless otherwise agreed to by the Company.

As part of the Acquisition, Chengfeng Investment agreed to provide an unconditional, irrevocable, and non-modifiable donation of RMB83 million by cash to the Target Company within five business days upon the completion of the Acquisition.

In connection with the Acquisition, the Vendors undertake performance guarantee of the Target Company and its subsidiaries (the "**Target Group**") for the financial years ended December 31, 2025, 2026, 2027 and 2028. If the Target Group fails to meet the financial performance targets, the Vendors shall pay compensation to the Company in the amount of the shortfall amount based on an agreed formula.

Upon completion of the Acquisition, the Company is expected to own not less than 43% of entire issued shares of the Target Company. The Target Company will become a non-wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Company and its subsidiaries (the "**Group**"). The Target Group and the Group are collectively named the "Enlarged Group".

The following is an illustrative unaudited pro forma statement of assets and liabilities of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), which has been prepared by the Directors on the basis of the notes set forth below and in accordance with Rule 4.29 of the Hong Kong Listing Rules for the purpose of illustrating the effects of the Acquisition, as if it has taken place on June 30, 2025.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on June 30, 2025 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

	Unaudited consolidated statement of assets and liabilities of the Group as at June 30, 2025	**Unaudited consolidated statement of assets and liabilities of the Target Group as at June 30, 2025**	**Pro forma adjustments**		**Unaudited pro forma statement of assets and liabilities of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Assets					
Current assets					
Cash at bank and on hand	1,181,133	142,860	–	–	1,323,993
Financial assets held for trading	–	168,000	–	–	168,000
Notes receivables	27,308	–	–	–	27,308
Accounts receivables	874,781	141,451	–	–	1,016,232
Financing receivables	–	22,694	–	–	22,694
Prepayments	100,203	9,989	–	–	110,192
Other receivables	29,481	796	83,000	–	113,277
Inventories	438,854	132,047	(4,437)	–	566,464
Contract assets	–	4,087	–	–	4,087
Other current assets	128,773	2,209	–	–	130,982
Total current assets	2,780,533	624,133	78,563	–	3,483,229

	Unaudited consolidated statement of assets and liabilities of the Group as at June 30, 2025	Unaudited consolidated statement of assets and liabilities of the Target Group as at June 30, 2025	Pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Long-term receivables	189,865	–	–	–	189,865
Long-term equity investments	77,257	–	–	–	77,257
Investment in other equity instruments	49,793	–	–	–	49,793
Fixed assets	168,429	291,229	107,464	–	567,122
Construction in progress	1,428,568	161,028	(14,294)	–	1,575,302
Right-of-use assets	46,190	–	–	–	46,190
Intangible assets	436,966	59,662	253,341	–	749,969
Goodwill	10,351	8,631	1,098,694	–	1,117,676
Long-term prepaid expenses	22,327	367	–	–	22,694
Deferred tax assets	–	6,964	(6,964)	–	–
Other non-current assets	48,103	198	–	–	48,301
Total non-current assets	2,477,849	528,079	1,438,241	–	4,444,169
Total assets	5,258,382	1,152,212	1,516,804	–	7,927,398
Liabilities					
Current liabilities					
Short-term borrowings	675,695	68,015	–	–	743,710
Notes payable	2,670	18,832	–	–	21,502
Accounts payables	447,385	88,218	–	–	535,603
Contract liabilities	87,996	426	–	–	88,422
Employee benefits payable	85,500	8,417	–	–	93,917
Taxes payable	74,645	6,464	20,750	–	101,859
Other payables	391,082	11,717	1,665,324	6,285	2,074,408
Non-current liabilities to be settled within one year	81,954	–	–	–	81,954
Other current liabilities	12,808	55	–	–	12,863
Total current liabilities	1,859,735	202,144	1,686,074	6,285	3,754,238

	Unaudited consolidated statement of assets and liabilities of the Group as at June 30, 2025	Unaudited consolidated statement of assets and liabilities of the Target Group as at June 30, 2025	Pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current liabilities					
Long-term borrowings	702,446	–	–	–	702,446
Lease liabilities	35,162	–	–	–	35,162
Deferred income	47,501	4,308	(4,308)	–	47,501
Deferred tax liabilities	182	1,643	39,481	–	41,306
Total non-current liabilities	785,291	5,951	35,173	–	826,415
Total liabilities	2,645,026	208,095	1,721,247	6,285	4,580,653
Net assets	2,613,356	944,117	(240,443)	(6,285)	3,346,745

Note:

1. The unaudited consolidated statement of assets and liabilities of the Group as at June 30, 2025 is extracted from the published interim report of the Company for the six months ended June 30, 2025.

2. The unaudited consolidated statement of assets and liabilities of the Target Group as at June 30, 2025 is extracted from the published interim report of the Target Company for the six months ended June 30, 2025.

3. Upon the completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group. The adjustments represent the purchase price adjustment for the fair value appreciation for identifiable assets of the Target Group, the fair value adjustment for deferred income of the Target Group, the deferred income tax impact from the fair value adjustment, the donation to be received pursuant to the Share Transfer Agreement with the related income tax impact, the consideration to be paid and the goodwill expected to be recognized by the Group based on the purchase price allocation of the Acquisition, and are calculated as follows:

	Note	As at June 30, 2025 *RMB'000*
Carrying amount of net assets of the Target Group	(a)	944,117
Less: Carrying amount of the goodwill recorded by the Target Group	(a)	(8,631)
Carrying amount of the identifiable net assets of the Target Group	(a)	935,486
Adjustment:		
Fair value adjustment for inventories	(b)	(4,437)
Fair value appreciation for fixed assets	(b)	107,464
Fair value adjustment for construction in progress		(14,294)
Fair value appreciation for intangible assets	(b)	253,341
Fair value adjustment for deferred income	(b)	4,308
Deferred income tax impact from the fair value adjustment	(b)	(46,445)
Uncancellable donation commitment from Chengfeng Investment	(c)	83,000
Current income tax impact from the donation	(c)	(20,750)
Fair value of the net identifiable assets of the Target Group		1,297,673
Fair value of the net identifiable assets of the Target Group attributable to the Company (43%)	(d)	557,999
Consideration to be paid in cash	(e)	1,665,324
Goodwill		1,107,325

(a) It represents the identifiable net assets attributable to the shareholders of the Target Company as at June 30, 2025, which is calculated by the total net assets of the Target Company less the goodwill recognized on the consolidation balance sheet of the Group. The Target Group didn't have any non-controlling interests as at June 30, 2025.

(b) It represents the fair value appreciation arising from the appraisal of the identifiable assets and liabilities of the Target Group with the related deferred tax impacts calculated by applying the applicable income tax rate of the respective subsidiaries of the Target Group. The Directors of the Company are still in the process of determining the fair values of the identifiable assets and liabilities of the Target Group as at June 30, 2025, the provisional amounts were determined with reference to the valuation reports issued by an independent valuer based on the best estimation as of February 12, 2026, and the Group shall adjust the provisional amounts to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

(c) For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the unconditional, irrevocable, and non-modifiable donation from Chengfeng Investment was assumed as "other receivables", and the tax impact has been considered based on the applicable income tax rate of 25% for the Target Company.

(d) For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the Company will complete the acquisition of 93,957,518 A shares as at June 30, 2025, representing the sum of: (a) 65,529,906 A shares (representing 29.99% of the entire issued shares of the Target Company) pursuant to the Share Transfer Agreement; (b) the Partial Offer to acquire at least the pre-acceptance of 28,427,612 A Shares, representing approximately 13.01% of the issued shares of the Target Company.

(e) For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the total cash consideration of RMB1,665 million is assumed as "other payables" of the Enlarge Group.

(f) The Directors assessed that the probability of fulfilling the financial performance undertaking is very high, thus the fair value of the contingent consideration related to the financial performance undertaking of the Target Group is not material and was not included in the Unaudited Pro Forma Financial Information.

Since the fair values and the carrying amounts of the identifiable assets and liabilities of the Target Group and the total consideration as at the Completion Date may be materially different from the values used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the actual amounts of the assets, liabilities and goodwill to be recognized in the consolidated financial statements of the Enlarged Group upon the Completion may be materially different from the estimated amounts as shown above, accordingly, this Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Group's management made preliminary assessment, with reference to the China Accounting Standards for Business Enterprise No. 8 Impairment of Assets, as to whether or not, based on the above information, there is any indicator of impairment on goodwill arising from the Acquisition. Based on such assessment, the Directors did not identify any impairment indicator in respect of the goodwill arising from the Acquisition.

4. The adjustment represents the estimated transaction costs of approximately RMB6,285,000 to be paid without considering the tax impact.

5. Other than the above adjustments, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading result or other transaction of the Enlarged Group entered into subsequent to June 30, 2025.

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group received from PricewaterhouseCoopers Zhong Tian LLP, for the purpose of incorporation in this circular.

pwc 普华永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of UBTECH ROBOTICS CORP LTD

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of UBTECH ROBOTICS CORP LTD (the "**Company**") and its subsidiaries (collectively the "**Group**"), and Zhejiang Fenglong Electric Co., Ltd. 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 June 30, 2025 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-6 of the Company's circular dated February 16, 2026 (the "**Circular**"), in connection with the proposed acquisition of 29.99% equity interest in the Target Group and partial offer to acquire 13.02% equity interest in the Target Group (the "**Transaction**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-6 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at June 30, 2025 as if the Transaction had taken place at June 30, 2025. 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 period ended June 30, 2025, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 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 ("**HKICPA**").

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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 behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, 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 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information 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 Unaudited Pro Forma Financial Information 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 Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 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 Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 June 30, 2025 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information 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 unaudited pro forma financial information 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 unaudited pro forma financial information 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 company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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 Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
February 16, 2026

The following management discussion and analysis of the results of the Target Company is extracted from the annual reports of the Target Company for the three years ended December 31, 2024, the interim report of the Target Company for the six months ended June 30, 2025 and the third quarterly report of the Target Company for the nine months ended September 30, 2025. These information are originally published in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The Directors wish to emphasize that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

BUSINESS REVIEW

The Target Company is a company limited by shares established in the PRC, and its issued shares are listed and traded on the main board of the Shenzhen Stock Exchange in accordance with the regulations (stock code: 002931.SZ). Based on information provided by the Company, the Target Group is principally engaged in the research and development, production, and sales of garden machinery engines and electric complete units, hydraulic control systems, and automotive components. Its products are widely used in garden machinery such as lawnmowers, chainsaws, hedge trimmers, and blowers, as well as in hydraulic and pneumatic control systems for various engineering, industrial, and semiconductor machinery, as well as lightweight and new energy vehicle components.

Upon completion of the Partial Offer, the Company is expected to own not less than 93,957,518 A Shares (representing approximately 43.00% of entire issued share capital of the Target Company as at the Latest Practicable Date). Through the control of the board of directors of the Target Company, the Target Company will become a non-wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Company.

FINANCIAL REVIEW

(a) Segmental information and financial performance

The Target Group is principally engaged in the research and development, production, and sales of garden machinery engines and electric complete units, hydraulic control systems, and automotive components. Its products are widely used in garden machinery such as lawnmowers, chainsaws, hedge trimmers, and blowers, as well as in hydraulic and pneumatic control systems for various engineering, industrial, and semiconductor machinery, as well as lightweight and new energy vehicle components.

The Target Group's revenue is primarily derived from the following business segments: (i) garden machinery business; (ii) automotive parts business; and (iii) hydraulic components business. The following table sets forth a breakdown of the Target Company's revenue by business segments for the periods as indicated:

	For the year ended 31 December,						For the six months ended June 30,		For the nine months ended September 30,	
	2022		2023		2024		2025		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Garden machinery	246,580	42.0	129,045	29.8	180,994	37.8	92,413	36.8	138,425	37.1
Automotive parts	123,930	21.1	110,258	25.4	104,576	21.9	58,451	23.3	89,312	24.0
Hydraulic components	172,597	29.4	135,845	31.4	143,137	29.9	72,480	28.9	104,947	28.1
Others	44,223	7.5	58,182	13.4	49,983	10.4	27,543	11.0	40,403	10.8
Total	**587,330**	**100.0**	**433,330**	**100.0**	**478,690**	**100.0**	**250,887**	**100.0**	**373,087**	**100.0**

For the three years ended December 31, 2022, 2023 and 2024, the six months ended June 30, 2025 and the nine months ended September 30, 2025, the Target Group's revenue was approximately RMB587.3 million, RMB433.3 million, RMB478.7 million, RMB250.9 million and RMB373.1 million, respectively. The decrease in the Target Group's revenue from RMB587.3 million for the year ended December 31, 2022 to RMB433.3 million for the year ended December 31, 2023 was mainly affected by fluctuations due to market demand. The increase in the Target Group's revenue from RMB433.3 million for the year ended December 31, 2023 to RMB478.7 million for the year ended December 31, 2024 was mainly due to the recovery of the garden machinery business, with significant increase in operating revenue. The increases in the Target Group's revenue from RMB228.7 million for the six months ended June 30, 2024 to RMB250.9 million for the six months ended June 30, 2025 and from RMB340.8 million for the nine months ended September 30, 2024 to RMB373.1 million for the nine months ended September 30, 2025 were mainly due to the increase in revenue from the garden machinery and auto parts businesses. During the periods as indicated above, the Target Group's revenue declined followed by a gradual stabilization and recovery. Factors including the COVID-19 pandemic and shipping congestion resulted in customers carrying out excess purchases in 2022 and prior years, which led to a decrease in revenue for all three business segments for the year ended December 31, 2023 where the impact on the garden machinery business and hydraulic components businesses were more significant. Since 2024, as inventories returned to normal levels, customers resumed ordering on a regular basis, and particularly the garden machinery and hydraulic components businesses began to recover, and the Target Group's overall operations were experiencing steady growth during the nine months ended September 30, 2025.

For the three years ended December 31, 2022, 2023 and 2024, the six months ended June 30, 2025 and the nine months ended September 30, 2025, the Target Group's profit/(loss) before tax was approximately RMB49.7 million, (RMB2.9 million), RMB18.9 million and RMB25.2 million, respectively. The net loss recorded by the Target Group for the year ended December 31, 2023 was mainly due to the decline in revenue for the year ended December 31, 2023.

(b) Capital structure, liquidity and financial resources

During the three years ended December 31, 2022, 2023 and 2024, the six months ended June 30, 2025 and the nine months ended September 30, 2025, there was no material change in the capital structure of the Target Group. The Target Group mainly financed its operations by cash flow from its business operations.

As at December 31, 2022, 2023 and 2024, June 30, 2025 and September 30, 2025, the Target Group's net assets were approximately RMB707.3 million, RMB768.2 million, RMB764.8 million, RMB944.1 million and RMB950.2 million, respectively.

As at December 31, 2022, 2023 and 2024, June 30, 2025 and September 30, 2025, the Target Group's cash and cash equivalents were approximately RMB164.5 million, RMB142.5 million, RMB157.8 million, RMB131.4 million and RMB138.8 million, respectively.

As at December 31, 2022, 2023 and 2024, June 30, 2025 and September 30, 2025, the Target Group had total liabilities of approximately RMB443.0 million, RMB353.3 million, RMB368.3 million, RMB71.6 million and RMB179.9 million, respectively, which mainly comprised of (i) bonds payable of approximately RMB199.6 million, accounts payable of approximately RMB92.9 million and short-term borrowings of approximately 89.0 million as at December 31, 2022; (ii) bonds payable of approximately RMB150.3 million, accounts payable of approximately RMB113.6 million and short-term borrowings of approximately 42.0 million as at December 31, 2023; (iii) bonds payable of approximately RMB158.3 million, accounts payable of approximately RMB120.5 million and short-term borrowings of approximately 45.0 million as at December 31, 2024; (iv) notes payable of approximately RMB31.1 million and accounts payable of RMB14.4 million as at June 30, 2025 and (v) accounts payable of approximately RMB83.1 million and short-term borrowings of approximately 57.0 million as at September 30, 2025.

The Target Company has employed a variety of financing methods, such as bill settlements and bank loans, and has obtained credit facilities from multiple commercial banks to meet its working capital and capital expenditure needs. The Target Group's accounts payable were interest-free liabilities and normally settled on schedule in accordance with contractual terms, with payment terms generally ranging from 0 to 90 days. Short-term borrowings mainly consisted of short-term working capital loans obtained from commercial banks primarily denominated in RMB, with fixed interest rates ranging from 2.0% to 4.5%. Certain short-term borrowings were pledged by the deposits and financing receivables of the Target Group as pledges. The bonds payable are convertible corporate bonds issued by the Target Group according to its development and funding plans, primarily used to meet mid- to long-term project construction, capital expenditures, and to optimize the debt structure. The early redemption option was exercised in the first quarter of 2025 and the delisting process was completed following redemption.

(c) Gearing ratio

As at December 31, 2022, 2023 and 2024, June 30, 2025 and September 30, 2025, the gearing ratio of the Target Group was 38.5%, 31.5%, 32.5%, 18.06% and 15.9%, respectively. The gearing ratio is calculated as the total liabilities divided by the total assets of the Target Group at the end of each reporting period.

(d) Contingent liabilities

As at December 31, 2022, 2023 and 2024, June 30, 2025 and September 30, 2025, the Target Group had no contingent liabilities.

(e) Financial risk management

For the three years ended December 31, 2022, 2023 and 2024, the six months ended June 30, 2025 and the nine months ended September 30, 2025, the Target Group was principally exposed to credit, liquidity and interest-rate risks arising in the ordinary course of business. For the same periods, as the Target Group's operations were primarily based in the PRC, its major assets (including cash and cash equivalents), liabilities and business transactions are mainly denominated in RMB, and foreign currency transactions accounted for a relatively small proportion of the revenue of the Target Group. As such, the Target Group considers that it has no material exposure to foreign exchange fluctuations, but it has adopted measures such as forward exchange settlement and hedging to reduce exchange rate risk.

(f) Financing and financial policy

The Target Group adopts a prudent financial management policy. It closely monitors its working capital position to ensure that the composition of its assets, liabilities and other commitments meets funding requirements.

(g) Significant investments

As at December 31, 2022, 2023 and 2024, June 30, 2025 and September 30, 2025, the Target Group did not hold any significant investments.

(h) Asset pledges

Save as disclosed above, as at December 31, 2022, 2023 and 2024, June 30, 2025 and September 30, 2025, the Target Group had no asset pledges.

(i) Employees and remuneration policy

As at December 31, 2022, 2023 and 2024, June 30, 2025 and September 30, 2025, the Target Company had 823, 737, 686, 730 and 715 employees, respectively. For the three years ended December 31, 2022, 2023 and 2024, the six months ended June 30, 2025 and the nine months ended September 30, 2025, the total remuneration paid to employees of the Target Group was approximately RMB103.0 million, RMB93.0 million, RMB87.2 million, RMB43.7 million and RMB63.1 million. Employee remuneration is determined with reference to the Company's operating performance, departmental performance and individual work performance.

(j) Future plans and prospects

As at the Latest Practicable Date, the Target Company had no plans to commence new businesses or to carry out any material investments or capital asset acquisitions.

(k) Acquisition or disposal of subsidiary

During the three years ended December 31, 2022, 2023 and 2024, the six months ended June 30, 2025 and the nine months ended September 30, 2025, the Target Group did not have any significant acquisition or disposal of any subsidiary or associated company.

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 Company. 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. SHARE CAPITAL

As of the Latest Practicable Date, the registered capital of the Company was RMB503,401,373 divided into 432,735,396 H Shares and 70,665,977 Domestic Shares, with a nominal value of RMB1.00 each, representing 100% of the total share capital of our Company.

All of the Shares in issue rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date of issue.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As of the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(i) Interest in the Shares

Name of Director	Class of Shares	Nature of Interest	Number of Shares held/ interested[1]	Approximate percentage in the relevant class of Shares of the Company[2]	Approximate percentage in the Company[2]
Mr. Zhou Jian (周劍)	Domestic Shares	Beneficial owner	33,186,040 (L)	46.96%	6.59%
	Domestic Shares	Interest in controlled Incorporation[3]	1,538,600 (L)	2.18%	0.31%
	H Shares	Beneficial owner	70,574,350 (L)	16.31%	14.02%
	H Shares	Interest in controlled Incorporation[3]	13,000,000 (L)	3.00%	2.58%

Name of Director	Class of Shares	Nature of Interest	Number of Shares held/ interested[1]	Approximate percentage in the relevant class of Shares of the Company[2]	Approximate percentage in the Company[2]
Mr. Xia Zuoquan (夏佐全)	H Shares	Beneficial owner	19,903,300 (L)	4.60%	3.95%
Mr. Xiong Youjun (熊友軍)	Domestic Shares	Beneficial owner	2,630,743 (L)	3.72%	0.52%
	H Shares	Beneficial owner	5,681,300 (L)	1.31%	1.13%

Notes:

(1) (L) denotes long position.

(2) The calculation is based on a total of 503,401,373 Shares in issue as at the Latest Practicable Date, which comprised 70,665,977 Domestic Shares and 432,735,396 H Shares.

(3) As at the Latest Practicable Date, Shenzhen Sanciyuan Enterprise Management Consulting Limited Partnership* (深圳三次元企業管理諮詢合夥企業(有限合夥)) ("**Shenzhen Sanciyuan**") directly held 1,538,600 Domestic Shares and 13,000,000 H Shares, and Mr. Zhou Jian held 73.96% of the partnership interests in Shenzhen Sanciyuan. By virtue of the SFO, Mr. Zhou Jian is deemed to be interested in all the Shares held by Shenzhen Sanciyuan.

(ii) Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Nature of Interest	Approximate shareholding percentage
Mr. Xia Zuoquan (夏佐全)	Wuxi Uqi Intelligent Technology Co., Ltd.* (無錫優奇智能科技有限公司) ("**Wuxi Uqi**")[1]	Interest in controlled corporation[2]	11.88%

Notes:

(1) Wuxi Uqi is regarded as our subsidiary under the Listing Rules. As at the Latest Practicable Date, we held approximately 35.62% shareholding interests in Wuxi Uqi. In addition, pursuant to the shareholders' agreement entered into between the shareholders of Wuxi Uqi in December 2022, three shareholders of Wuxi Uqi holding approximately 16.38%, 6.53% and 5.34% interests in Wuxi Uqi respectively agreed that for the period of six years since the date they started holding equity interest in Wuxi Uqi, being December 31, 2021, they would act consistently with our Company in respect of matters of the shareholders meeting. As a result of the aforementioned shareholders' undertakings, we have continued to hold more than 50% voting rights in Wuxi Uqi although our shareholding in Wuxi Uqi is below 50%. According to the articles of association of Wuxi Uqi, approval of Wuxi Uqi's shareholders resolutions generally requires more than 50% of shareholders' votes. As such, we have continued to maintain control of Wuxi Uqi and it has continued to be regarded as our subsidiary since its establishment up to June 30, 2026.

(2) As at the Latest Practicable Date, Suzhou Zhengxuan Qianzhan Zhihe Venture Capital (Limited Partnership)* (蘇州市正軒前瞻志合創業投資合夥企業(有限合夥)) ("**Suzhou Zhengxuan**") and Guangzhou Zhengxuan Qianzhan Ruiyuan Venture Capital Limited Partnership* (廣州市正軒前瞻睿遠創業投資合夥企業(有限合夥)) (formerly known as Shenzhen Zhengxuan Qianzhan Ruiyuan Venture Capital Limited Partnership* (深圳市正軒前瞻睿遠創業投資合夥企業(有限合夥))) ("**Guangzhou Zhengxuan**") directly held approximately 6.53% and 5.34% shareholding interest in Wuxi Uqi respectively. The general partners of Suzhou Zhengxuan and Guangzhou Zhengxuan are Shenzhen Zhengxuan Qianzhan Zhihe Investment Company Limited* (深圳市正軒前瞻志合投資有限公司) and Shenzhen Zhengxuan Lihang Venture Capital Limited Partnership* (深圳市正軒勵行創業投資合夥企業(有限合夥)) respectively, which are both ultimately controlled by Mr. Xia Zuoquan.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' interests and/or short position in Shares and underlying Shares of the Company

As of the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Substantial Shareholders	Class of Shares	Nature of Interest	Number of Shares held/ interested[1]	Approximate percentage in the relevant class of Shares of the Company[2]	Approximate percentage in the Company[2]
Mr. Zhou Jian (周劍)	Domestic Shares	Beneficial owner	33,186,040 (L)	46.96%	6.59%
	Domestic Shares	Interest in controlled Incorporation[3]	1,538,600(L)	2.18%	0.31%
	H Shares	Beneficial owner	70,574,350 (L)	16.31%	14.02%
	H Shares	Interest in controlled Incorporation[3]	13,000,000(L)	3.00%	2.58%
Mr. Xia Zuoquan (夏佐全)	H Shares	Beneficial owner	19,903,300(L)	4.60%	3.95%
Ms. Yang Zhilian (楊志蓮)	H Shares	Interest of spouse[4]	19,903,300 (L)	4.60%	3.95%

Name of Substantial Shareholders	Class of Shares	Nature of Interest	Number of Shares held/ interested[1]	Approximate percentage in the relevant class of Shares of the Company[2]	Approximate percentage in the Company[2]
Mr. Xiong Youjun (熊友軍)	Domestic Shares	Beneficial owner	2,630,743 (L)	3.72%	0.52%
	H Shares	Beneficial owner	5,681,300 (L)	1.31%	1.13%
Ms. Wang Lin (王琳)	Domestic Shares	Beneficial owner	2,621,880 (L)	3.71%	0.52%
	Domestic Shares	Interest in controlled Incorporation[5]	3,705,280(L)	5.24%	0.74%
	H Shares	Beneficial owner	5,636,450 (L)	1.30%	1.12%
	H Shares	Interest in controlled Incorporation[5]	17,012,650 (L)	3.93%	3.38%
Mr. Hou Zongfang (侯宗放)	Domestic Shares	Interest of spouse[6]	6,327,160 (L)	8.95%	1.26%
	H Shares	Interest of spouse[6]	22,649,100 (L)	5.23%	4.50%
Ms. Jiang Shuyuan (蔣舒媛)	Domestic Shares	Interest in controlled Incorporation[7]	3,705,280 (L)	5.24%	0.74%
	H Shares	Interest in controlled Incorporation[7]	17,012,650 (L)	3.93%	3.38%
Shenzhen Evolution	Domestic Shares	Beneficial owner	3,705,280 (L)	5.24%	0.74%
	H Shares	Beneficial owner	17,012,650 (L)	3.93%	3.38%
Liuzhou State-owned Assets Supervision and Administration Commission ("**Liuzhou SASAC**")	Domestic Shares	Interest in controlled Incorporation[8]	15,212,982(L)	21.53%	3.02%
Liuzhou Industrial Guidance Fund Investment Management Company Limited (柳州市產業引導基金投資管理有限公司) ("**Liuzhou Industrial Fund**")	Domestic Shares	Beneficial owner[8]	12,677,485 (L)	17.94%	2.52%
Mr. He Huojian (賀火箭)	Domestic Shares	Interest in controlled Incorporation[9]	5,689,081 (L)	8.05%	1.13%
Haikun Shanghai	Domestic Shares	Beneficial owner[9]	5,689,081 (L)	8.05%	1.13%

Notes:

(1) The letter "L" denotes a long position.

(2) The calculation is based on a total of 503,401,373 Shares in issue as at the Latest Practicable Date, which comprised 70,665,977 Domestic Shares and 432,735,396 H Shares.

(3) As of the Latest Practicable Date, Shenzhen Sanciyuan Enterprise Management Consulting Limited Partnership* (深圳三次元企業管理諮詢合夥企業(有限合夥)) ("**Shenzhen Sanciyuan**") directly held 1,538,600 Domestic Shares and 13,000,000 H Shares, and Mr. Zhou Jian held 73.96% of the partnership interests in Shenzhen Sanciyuan. By virtue of the SFO, Mr. Zhou Jian is deemed to be interested in all the Shares held by Shenzhen Sanciyuan.

(4) Ms. Yang Zhilian and Mr. Xia Zuoquan are spouses, and therefore Ms. Yang Zhilian is deemed to be interested in all of Mr. Xia Zuoquan's interest in our Company by virtue of the SFO.

(5) As of the Latest Practicable Date, Shenzhen Evolution Investment Limited Partnership* (深圳市進化論投資合夥企業(有限合夥)) ("**Shenzhen Evolution**") directly held 3,705,280 Domestic Shares and 17,012,650 H Shares. Ms. Wang Lin is the general partner of all limited partners of Shenzhen Evolution and effectively holding 99.99% of the partnership interests in Shenzhen Evolution. By virtue of the SFO, Ms. Wang Lin is deemed to be interested in all of the Shares held by Shenzhen Evolution.

(6) Mr. Hou Zongfang and Ms. Wang Lin are spouses of each other, and therefore Mr. Hou Zongfang is deemed to be interested in all of Ms. Wang Lin's interests in our Company by virtue of the SFO.

(7) Ms. Jiang Shuyuan is the general partner of Shenzhen Evolution. By virtue of the SFO, Ms. Jiang Shuyuan is deemed to be interested in all of the Shares held by Shenzhen Evolution.

(8) As of the Latest Practicable Date, Liuzhou Industrial Fund and Liuzhou Government Investment Guidance Fund Management Company Limited (柳州市政府投資引導基金管理有限公司) directly held 12,677,485 and 2,535,497 Domestic Shares, and are wholly owned by Liuzhou SASAC. Therefore, for the purpose of the SFO, Liuzhou SASAC is deemed to be interested in the Shares held by Liuzhou Industrial Fund and Liuzhou Government Investment Fund.

(9) As of the Latest Practicable Date, Haikun Business Consulting (Shanghai) Co., Ltd.* (海鯤商務諮詢(上海)有限公司) ("**Haikun Shanghai**") directly held 5,689,081 Domestic Shares of the Company, which is in turn wholly-owned by Mr. He Huojian. By virtue of the SFO, Mr. He Huojian is deemed to be interested in all the Shares held by Haikun Shanghai.

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

(c) Directors' interests in assets and contracts

As of the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired or disposed of by or leased to the Company since December 31, 2024, being the date to which the latest published audited accounts of the Company were made up.

As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company subsisting at the Latest Practicable Date and which is significant in relation to the business of the Company.

(d) Directors' and management shareholders' interests in competing business

As of the Latest Practicable Date, none of the Directors or the controlling shareholders of the Company and their respective associates has any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

4. SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. MATERIAL CONTRACTS

Save as disclosed below, the Company has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which are or may be material:

(i) the Share Transfer Agreement;

(ii) the share transfer agreement dated November 28, 2025 between the Company and Miracle Automation Engineering Co., Ltd.* (天奇自動化工程股份有限公司), pursuant to which the Company agrees to purchase 7% of the equity interests in Wuxi Uqi Intelligent Technology Co., Ltd.* (無錫優奇智能科技有限公司) at a consideration of RMB130,130,000;

(iii) the placing agreement dated November 25, 2025 relating to the placing of 31,468,000 new H Shares with a nominal value of RMB1.00 each in the issued share capital of the Company at the placing price of HK$98.80 for each H Share entered into between the Company, Guotai Junan Securities (Hong Kong) Limited, CLSA Limited and TradeGo Markets Limited. The Company received total net proceeds of approximately HK$3,055.71 million from the placing;

(iv) the placing agreement dated July 22, 2025 relating to the placing of 30,155,450 new H Shares with a nominal value of RMB1.00 each in the issued share capital of the Company at the placing price of HK$82.00 for each H Share entered into between the Company, Guotai Junan Securities (Hong Kong) Limited, CLSA Limited and TradeGo Markets Limited. The Company received total net proceeds of approximately HK$2,410.26 million from the placing;

(v) the placing agreement dated February 20, 2025 relating to the placing of a total of 10,155,099 new H Shares with a nominal value of RMB1.00 each in the issued share capital of the Company at the placing price of HK$90.00 for each H Share entered into between the Company, Guotai Junan Securities (Hong Kong) Limited, CLSA Limited and TradeGo Markets Limited. The Company received total net proceeds of approximately HK$876.32 million from the placing;

(vi) the placing agreement dated November 20, 2024 relating to the placing of a total of 7,000,000 new H Shares with a nominal value of RMB1.00 each in the issued share capital of the Company at the placing price of HK$83.88 for each H Share entered into between the Company, Guotai Junan Securities (Hong Kong) Limited, CLSA Limited and TradeGo Markets Limited. The Company received total net proceeds of approximately HK$551.88 million from the placing ;

(vii) the placing agreement dated October 23, 2024 relating to the placing of a total of 5,060,000 new H Shares with a nominal value of RMB1.00 each in the issued share capital of the Company at the placing price of HK$86.18 for each H Share entered into between the Company, Guotai Junan Securities (Hong Kong) Limited, CLSA Limited and TradeGo Markets Limited. The Company received total net proceeds of approximately HK$407.73 million from the placing ; and

(viii) the placing agreement dated August 1, 2024 relating to the placing of a total of 1,420,000 new H Shares with a nominal value of RMB1.00 each in the issued share capital of the Company at the placing price of HK$92.00 for each H Share entered into between the Company, Guotai Junan Securities (Hong Kong) Limited and TradeGo Markets Limited. The Company received total net proceeds of approximately HK$121.85 million from the placing .

6. LITIGATION

As of the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions, letters or advice for the incorporation in this circular:

Name	Qualification
PricewaterhouseCoopers Zhong Tian LLP	Certified Public Accountant, the PRC
Pan-China Certified Public Accountants LLP	Certified Public Accountant, the PRC

As at the Latest Practicable Date, PricewaterhouseCoopers Zhong Tian LLP:

(a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

PricewaterhouseCoopers Zhong Tian LLP has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or references to its name in the form and context in which it appears.

8. MISCELLANEOUS

(a) So far as is known to the Directors, as of the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholders, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis;

(b) So far as is known to the Directors, as of the Latest Practicable Date, there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM;

(c) The registered office of the Company is situated at Room 2201, Building C1 Nanshan Smart Park, No. 1001 Xueyuan Avenue Changyuan Community, Taoyuan Street, Nanshan District, Shenzhen, PRC;

(d) The principal place of business of the Company in Hong Kong is 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong;

(e) The joint company secretaries of the Company are Mr. Zhang Ju (張鉅先生) and Ms. Jian Xuegen (簡雪艮女士). Ms. Jian is a member of the Hong Kong Institute of Certified Public Accountants. She is also a member of the Chinese Institute of Certified Public Accountants;

(f) The Company's Hong Kong H share registrar and transfer office is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong; and

(g) This circular is both English and Chinese. Unless otherwise stated, if there is any inconsistency, the English text shall prevail over the Chinese text for the purpose of interpretation.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.ubtrobot.com) for not less than 14 days from the date of this circular up to and including the date of the EGM:

(a) the written consent referred to in the section headed "7. EXPERT AND CONSENT" in this appendix;

(b) the report from PricewaterhouseCoopers Zhong Tian LLP on unaudited pro forma financial information of the Group following the Acquisition, the text of which is set out in Appendix III to this circular;

(c) this circular; and

(d) the Share Transfer Agreement.

As the Share Transfer Agreement contains certain sensitive personal information, being the identity card numbers, addresses and signatures of the signing parties thereto (the "**Personal Information**"), the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.66 (10) and paragraph 43 (2) (c) of Appendix 1B to the Listing Rules by redacting the Personal Information in the Share Transfer Agreement to be displayed on the websites of the Stock Exchange and the Company based on the following grounds:

(i) as the Personal Information is considered to be personal data which is currently not available in the public domain and signing parties refused to give consents for disclosure of the Personal Information on the websites of the Company and the Stock Exchange, such public disclosure may constitute a possible breach of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong); and

(ii) given the identities of the parties and other major terms of the Share Transfer Agreement have been disclosed in the announcement of the Company dated December 24, 2025, and will also be disclosed to the public in this circular, and the full terms of the transactions contemplated under the Share Transfer Agreement will be available to the public by displaying the Share Transfer Agreement on the websites of the Company and the Stock Exchange during the period of not less than 14 days from the date of this circular, the Company is of the view that (a) the Personal Information is not material to the assessment of the transactions; and (b) the omission of which will not mislead investors with regard to the facts and circumstances, knowledge of which is essential for the informed assessment of the transactions.

UBTECH ROBOTICS CORP LTD
深圳市優必選科技股份有限公司

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

(Stock Code: 9880)

NOTICE OF THE 2026 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2026 first extraordinary general meeting (the "**EGM**") of UBTECH ROBOTICS CORP LTD (the "**Company**") will be convened and held at JIMU Conference Room, 25/F, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Nanshan District, Shenzhen, PRC at 4:00 p.m. on Tuesday, March 10, 2026 to consider and, if thought fit, approve the following resolution:

ORDINARY RESOLUTION

1. the resolution regarding the acquisition of shares in Zhejiang Fenglong Electric Co.,Ltd.: approving, confirming and ratifying the share transfer agreement dated December 24, 2025 (the "**Share Transfer Agreement**") entered into between the Company, Zhejiang Chengfeng Investment Co., Ltd.* (浙江誠鋒投資有限公司), Mr. Dong Jiangang (董劍剛), Ms. Li Caixia (厲彩霞) and Ningbo Fengchi Investment Co., Ltd.* (寧波鋒馳投資有限公司) in relation to the acquisition of not less than 43.00% equity interest in Zhejiang Fenglong Electric Co., Ltd. (浙江鋒龍電氣股份有限公司) by way of share transfer and partial offer by the Company, and the transactions contemplated thereunder; and the authorisation to any one of the directors of the Company (the "**Director(s)**"), or any other person authorised by the board of Director(s) (the "**Board**") from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Share Transfer Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Share Transfer Agreement or the transactions contemplated.

By order of the Board
UBTECH ROBOTICS CORP LTD
Jian ZHOU
Chairman, Executive Director and Chief Executive Officer

Shenzhen, February 16, 2026

Notes:

1. For details of the resolution to be approved in the EGM, please refer to the circular of the Company dated February 16, 2026 (the "**Circular**"). Unless the context requires otherwise, the terms used in this notice of EGM shall have the same meaning as those used in the Circular.

2. The register of members of the Company will be closed from Thursday, March 5, 2026 to Tuesday, March 10, 2026, both days inclusive, in order to determine the eligibility of Shareholders who are entitled to attend and vote at the EGM. Shareholders whose name appear on the register of members of the Company on Tuesday, March 10, 2026 will be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders), no later than 4:30 p.m. on Wednesday, March 4, 2026.

3. Individual Shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual Shareholders shall produce their effective proof of identity and form of proxy. A corporate shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid documents evidencing his/her capacity as a legal representative. If appointed to attend the meeting, the proxy should produce his/her identity card and an authorisation instrument duly signed by the legal representative of the corporate shareholder.

4. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more person(s) (if the Shareholder holds two or more Shares), whether (each of) such person is a Shareholder or not, as his/her/its proxy or proxies to attend and vote on his/her/its behalf at the EGM.

   The instrument appointing a proxy must be signed by the shareholder or his/her attorney duly authorised in writing. For a corporate shareholder, the proxy instrument must be affixed with the common seal or signed by its director or attorney duly authorised in writing.

   If the power of attorney of the proxy is signed by the authorised person of the appointer under a power of attorney or other authorisation document(s) given by the appointer, such power of attorney or other authorisation document(s) shall be notarised and served at the same time as the power of attorney. To be valid, the form of proxy, together with a notarially certified copy of the power of attorney or other authorisation document(s), must be delivered to the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders), or the registered office of the Company at Room 2201, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Changyuan Community, Taoyuan Street, Nanshan District, Shenzhen, PRC (for Domestic Shareholders) not later than 24 hours before the designated time for the holding of the EGM (i.e. not later than 4:00 p.m. on Monday, March 9, 2026) or any adjournment thereof (as the case may be).

   In case of registered joint holders of any Shares, any one of the registered joint holders can vote on such Shares at the EGM in person or by proxy as if he/she is the only holder entitled to vote. If more than one registered joint holders attend the EGM in person or by proxy, only the vote of the person whose name appears first in the register of members of the Company relating to such Shares (in person or by proxy) will be accepted as the sole and exclusive vote of the joint holders.

   After the completion and return of the form of proxy and the power of attorney, you can attend and vote in person at the EGM or any adjournment thereof should you so wish. In this case, the power of attorney will be deemed to have been revoked.

5. According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be proposed at the EGM will be voted on by poll. Results of the poll voting will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ubtrobot.com) upon the conclusion of the EGM.

6. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

As at the date of this notice, the Board comprises (i) Mr. Zhou Jian, Mr. Liu Ming, Mr. Deng Feng and Mr. Xiong Youjun as executive directors; (ii) Mr. Xia Zuoquan, Mr. Zhou Zhifeng and Mr. Lu Kuan as non-executive directors; and (iii) Professor He Jia, Mr. Yao Xin, Ms. Dong Xiuqin and Mr. Xiong Hui as independent non-executive directors.