Contents

Auditor's Report

PCCPAAR [2024] No. 241

To the Shareholders of Hengdian Group DMEGC Magnetics Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Hengdian Group DMEGC Magnetics Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2023, the consolidated and parent company income statements, consolidated and parent company cash flow statements, and consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

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

II. Basis for Audit Opinion

We conducted our audit in accordance with China Standards on Auditing. 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 the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 express a separate opinion on these matters.

(I) Revenue recognition

1. Key audit matters

Please refer to section III (XXVI), V (II) 1 and XIV (I) of notes to the financial statements for details.

The Company's operating revenue mainly comes from PV products, magnetic materials, lithium-ion batteries, components, etc. The Company's sales business of these products is a performance obligation satisfied at a point in time. In 2023, the operating revenue amounted to 19,720,955,279.97 yuan.

As operating revenue is one of the key performance indicators of the Company, there might be inherent risks that the Company's management (the "Management") adopts inappropriate revenue recognition to achieve specific goals or expectations, we have identified revenue recognition as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

(1) We obtained understandings of key internal controls related to revenue recognition, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;

(2) We checked sales contracts, obtained understandings of main contractual terms or conditions, and assessed whether the revenue recognition method was appropriate;

(3) We performed analysis procedure on operating revenue and gross margin by month, product, customer, etc., so as to identify whether there are significant or abnormal fluctuations and find out the reason;

(4) For revenue from domestic sales, we checked supporting documents related to selected items, including sales contracts, orders, sales invoices, outbound delivery orders, delivery notes, logistics information, delivery receipts or customer statements,

etc.; for revenue from overseas sales, we obtained information from Electron Port and checked it with accounting records, and selected items to check relevant supporting documents including sales contracts, bills of clearance, waybills, sales invoices, etc.;

(5) We performed confirmation procedures on sales amount of selected items in combination with confirmation procedure of accounts receivable;

(6) We performed cut-off tests to check whether the revenue was recognized in the appropriate period;

(7) We obtained sales return records subsequent to the balance sheet date and checked whether there was revenue not eligible for recognition at the balance sheet date; and

(8) We checked whether information related to operating revenue had been presented appropriately in the financial statements.

(II) Impairment of accounts receivable

1. Key audit matters

Please refer to section III (XI), III (XII) and V (I) 4 of notes to the financial statements for details.

As of December 31, 2023, the book balance of accounts receivable amounted to 2,898,489,421.53 yuan, with provision for bad debts of 173,901,282.60 yuan, and the carrying amount amounted to 2,724,588,138.93 yuan.

Based on credit risk features of accounts receivable, the Management measures the loss allowance at the amount of lifetime expected credit losses, either on an individual basis or on a collective basis.

As the amounts of accounts receivable are significant and the impairment test involves significant judgment of the Management, we have identified impairment of accounts receivable as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for impairment of accounts receivable are as follows:

(1) We obtained understandings of key internal controls related to impairment of accounts receivable, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;

(2) We reviewed the outcome of the Management's previous estimates on provision for bad debts or their subsequent re-estimations;

(3) We reviewed the consideration of the Management on credit risk assessment and objective evidence, and assessed whether the credit risk features of accounts receivable had been appropriately identified by the Management;

(4) For accounts receivable with expected credit losses measured on an individual basis, we reviewed the Management's estimations on the expected future cash flows, assessed the appropriateness of significant assumptions and the appropriateness, relevance and reliability of data used in the estimations and checked them with acquired external evidence;

(5) For accounts receivable with expected credit losses measured on a collective basis, we assessed the reasonableness of portfolio classification on the basis of credit risk features; we assessed the reasonableness of expected credit loss rate of accounts receivable determined by the Management, including the appropriateness of significant assumptions and the appropriateness, relevance and reliability of data used; we tested whether the Management's calculation of provision for bad debts was accurate;

(6) We assessed the reasonableness of provision for bad debts made by the Management in combination with the confirmation and subsequent collection of accounts receivable; and

(7) We checked whether information related to impairment of accounts receivable had been presented appropriately in the financial statements.

IV. Other Information

The Management is responsible for the other information. The other information comprises the information included in the Company's 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 a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of 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 the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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. 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 can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. 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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Company 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain sole responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Pan-China Certified Public Accountants LLP

Hangzhou · China

Chinese Certified Public Accountant: 张芳
(Engagement Partner)

Chinese Certified Public Accountant: 林琦

Date of Report: March 7, 2024

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Hengdian Group DMEGC Magnetics Co., Ltd.
Consolidated balance sheet as at December 31, 2023
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2022
Current assets:			
Cash and bank balances	1	9,185,100,137.90	5,654,531,570.60
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	2	4,107,100.55	831,320,536.27
Derivative financial assets			
Notes receivable	3	12,838,279.76	41,768,105.36
Accounts receivable	4	2,724,588,138.93	2,250,797,670.40
Receivables financing	5	340,977,403.23	519,675,211.73
Advances paid	6	52,400,381.87	126,341,920.15
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	7	61,761,577.88	122,494,957.91
Financial assets under reverse repo			
Inventories	8	1,954,839,355.32	2,036,271,372.47
Contract assets	9	6,871,154.61	
Assets held for sale			
Non-current assets due within one year			
Other current assets	10	193,234,153.36	126,139,248.94
Total current assets		14,536,717,683.41	11,709,340,593.83
Non-current assets:			
Loans and advances			
Debt investments			
Other debt investments			
Long-term receivables	11		
Long-term equity investments	12	68,268,992.66	62,997,982.38
Other equity instrument investments	13	146,030,000.00	117,280,000.00
Other non-current financial assets			
Investment property	14	4,266,676.52	52,719,080.79
Fixed assets	15	5,491,632,838.00	4,588,438,996.75
Construction in progress	16	418,958,739.01	385,621,848.29
Productive biological assets			
Oil & gas assets			
Right-of-use assets	17	10,383,814.74	8,381,715.17
Intangible assets	18	507,031,635.59	447,665,679.45
Development expenditures			
Goodwill	19	1.00	1.00
Long-term prepayments			
Deferred tax assets	20	2,360,964.36	204,945,909.50
Other non-current assets	21	10,074,384.27	32,501,034.65
Total non-current assets		6,659,008,046.15	5,900,552,247.98
Total assets		21,195,725,729.56	17,609,892,841.81

Legal representative: Officer in charge of accounting: Head of accounting department:

任海亮印 郭健 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.
Consolidated balance sheet as at December 31, 2023 (continued)
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2022
Current liabilities:			
Short-term borrowings	23	2,221,763,363.33	1,579,438,064.18
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities	24	4,947,243.18	64,494,405.91
Derivative financial liabilities			
Notes payable	25	2,691,262,555.50	2,917,513,093.30
Accounts payable	26	4,912,346,882.37	3,513,671,169.28
Advances received	27	1,091,031.52	479,581.93
Contract liabilities	28	236,538,713.88	484,068,287.51
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposits for agency security transaction			
Deposits for agency security underwriting			
Employee benefits payable	29	361,107,858.66	310,844,635.02
Taxes and rates payable	30	115,534,234.86	93,940,291.28
Other payables	31	867,823,233.89	459,468,761.08
Handling fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	32	1,371,623.49	2,017,816.57
Other current liabilities	33	27,643,653.57	56,190,653.33
Total current liabilities		11,441,430,394.25	9,482,126,759.39
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	34	195,572,758.32	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	35	7,141,426.72	4,087,095.49
Long-term payables	36	8,578,633.21	8,685,878.23
Long-term employee benefits payable			
Provisions	37	192,006,836.28	122,747,469.88
Deferred income	38	59,460,000.00	28,781,500.00
Deferred tax liabilities	20	103,083,445.53	192,062,080.26
Other non-current liabilities			
Total non-current liabilities		565,843,100.06	356,364,023.86
Total liabilities		12,007,273,494.31	9,838,490,783.25
Equity:			
Share capital	39	1,626,712,074.00	1,626,712,074.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	40	543,118.23	
Less: Treasury shares	41	212,780,441.32	210,001,648.89
Other comprehensive income	42	61,936,706.35	36,657,093.77
Special reserve			
Surplus reserve	43	809,850,690.33	755,721,839.23
General risk reserve			
Undistributed profit	44	6,719,344,141.15	5,541,041,420.01
Total equity attributable to the parent company		9,005,606,288.74	7,750,130,778.12
Non-controlling interest		182,845,946.51	21,271,280.44
Total equity		9,188,452,235.25	7,771,402,058.56
Total liabilities & equity		21,195,725,729.56	17,609,892,841.81

Legal representative: 任海亮印　Officer in charge of accounting: 郭健　Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.
Parent company balance sheet as at December 31, 2023
(Expressed in Renmingbi Yuan)

Assets	Note No.	Closing balance	December 31, 2022
Current assets:			
Cash and bank balances		8,661,183,799.21	4,856,838,008.12
Held-for-trading financial assets		4,107,100.55	603,650,661.39
Derivative financial assets			
Notes receivable		12,545,076.65	41,768,105.36
Accounts receivable	1	2,660,910,155.49	2,309,851,431.00
Receivables financing		244,826,612.74	430,348,699.69
Advances paid		39,120,288.14	139,115,492.83
Other receivables	2	1,253,067,838.53	932,236,842.30
Inventories		1,077,819,822.94	1,402,666,113.11
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		28,161,709.56	87,044,466.53
Total current assets		13,981,742,403.81	10,803,519,820.33
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	671,169,351.97	412,128,748.65
Other equity instrument investments		146,030,000.00	117,130,000.00
Other non-current financial assets			
Investment property			46,907,181.79
Fixed assets		3,416,179,496.09	3,686,463,208.32
Construction in progress		148,898,219.56	329,615,393.06
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		410,919,307.43	398,643,967.09
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets			208,795,226.88
Other non-current assets		455,785.60	1,662,525.65
Total non-current assets		4,793,652,160.65	5,201,346,251.44
Total assets		18,775,394,564.46	16,004,866,071.77

Legal representative: 任海亮印

Officer in charge of accounting: 郭健

Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.

Parent company balance sheet as at December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2022
Current liabilities:			
Short-term borrowings		1,869,956,204.43	918,063,922.71
Held-for-trading financial liabilities		4,947,243.18	64,494,405.91
Derivative financial liabilities			
Notes payable		2,648,913,216.08	2,684,514,574.05
Accounts payable		2,657,393,874.59	2,895,602,312.83
Advances received		1,091,031.52	479,581.93
Contract liabilities		170,741,481.61	445,481,175.05
Employee benefits payable		275,213,429.22	261,068,959.56
Taxes and rates payable		56,399,368.50	46,720,897.86
Other payables		2,307,873,425.13	1,263,297,228.75
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		27,521,919.92	46,358,781.62
Total current liabilities		10,020,051,194.18	8,626,081,840.27
Non-current liabilities:			
Long-term borrowings		195,572,758.32	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions		192,006,836.28	122,747,469.88
Deferred income		55,900,000.00	28,781,500.00
Deferred tax liabilities		69,732,404.91	162,864,251.28
Other non-current liabilities			
Total non-current liabilities		513,211,999.51	314,393,221.16
Total liabilities		10,533,263,193.69	8,940,475,061.43
Equity:			
Share capital		1,626,712,074.00	1,626,712,074.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		13,460,173.41	13,460,173.41
Less: Treasury shares		212,780,441.32	210,001,648.89
Other comprehensive income		68,200,000.00	39,300,000.00
Special reserve			
Surplus reserve		813,356,037.00	759,227,185.90
Undistributed profit		5,933,183,527.68	4,835,693,225.92
Total equity		8,242,131,370.77	7,064,391,010.34
Total liabilities & equity		18,775,394,564.46	16,004,866,071.77

Legal representative: 任海亮印 Officer in charge of accounting: 郭健 Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.

Consolidated income statement for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Note No	Current period cumulative	Preceding period comparative
I. Total operating revenue		19,720,955,279.97	19,450,638,161.91
Including: Operating revenue	1	19,720,955,279.97	19,450,638,161.91
Interest income			
Premiums earned			
Revenue from handling fees and commissions			
II. Total operating cost		17,169,056,484.64	17,626,700,764.10
Including: Operating cost	1	15,632,995,977.79	16,050,833,137.53
Interest expenses			
Handling fees and commissions			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	2	93,427,463.46	50,433,060.20
Selling expenses	3	245,801,450.88	238,528,423.76
Administrative expenses	4	571,862,607.79	496,784,387.21
R&D expenses	5	876,718,242.39	939,081,347.54
Financial expenses	6	-251,749,257.67	-148,959,592.14
Including: Interest expenses	6	60,543,613.97	53,282,559.71
Interest income	6	213,955,473.33	141,744,271.58
Add: Other income	7	150,902,277.06	124,334,285.97
Investment income (or less: losses)	8	-69,705,436.95	53,260,063.55
Including: Investment income from associates and joint ventures	8	371,010.28	133,817.50
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)	9	-288,496,032.08	-65,024,811.51
Credit impairment loss	10	-13,949,957.83	2,745,410.85
Assets impairment loss	11	-250,369,440.66	-170,385,193.58
Gains on asset disposal (or less: losses)	12	1,205,597.00	298,509.83
III. Operating profit (or less: losses)		2,081,485,801.87	1,769,165,662.92
Add: Non-operating revenue	13	8,971,266.77	20,758,194.74
Less: Non-operating expenditures	14	14,621,202.25	130,543,327.54
IV. Profit before tax (or less: total loss)		2,075,835,866.39	1,659,380,530.12
Less: Income tax expenses	15	249,892,837.03	-8,731,754.00
V. Net profit (or less: net loss)		1,825,943,029.36	1,668,112,284.12
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		1,825,943,029.36	1,668,112,284.12
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		1,816,173,218.66	1,669,265,497.69
2. Net profit attributable to non-controlling shareholders (or less: net loss)		9,769,810.70	-1,153,213.57
VI. Other comprehensive income after tax	16	23,019,879.58	-44,591,053.96
Items attributable to the owners of the parent company		25,279,612.58	-44,591,053.96
(I) Not to be reclassified subsequently to profit or loss		28,900,000.00	-44,700,000.00
1. Remeasurements of the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments		28,900,000.00	-44,700,000.00
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss		-3,620,387.42	108,946.04
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve		-3,620,387.42	108,946.04
7. Others			
Items attributable to non-controlling shareholders		-2,259,733.00	
VII. Total comprehensive income		1,848,962,908.94	1,623,521,230.16
Items attributable to the owners of the parent company		1,841,452,831.24	1,624,674,443.73
Items attributable to non-controlling shareholders		7,510,077.70	-1,153,213.57
VIII. Earnings per share (EPS)			
(I) Basic EPS (yuan per share)		1.13	1.03
(II) Diluted EPS (yuan per share)		1.13	1.03

Legal representative: 任海亮印　　Officer in charge of accounting: 郭健　　Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.

Parent company income statement for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	18,876,084,499.33	21,035,196,160.59
Less: Operating cost	1	15,296,608,509.62	17,881,673,977.93
Taxes and surcharges		73,113,894.62	37,772,630.91
Selling expenses		229,178,741.32	222,925,553.23
Administrative expenses		431,823,670.55	411,209,289.52
R&D expenses	2	741,379,024.42	844,463,351.71
Financial expenses		-236,387,454.61	-139,718,235.82
Including: Interest expenses		51,654,418.69	45,039,712.55
Interest income		197,927,029.34	122,274,642.79
Add: Other income		106,695,501.56	94,903,975.10
Investment income (or less: losses)	3	-52,288,174.43	42,022,423.99
Including: Investment income from associates and joint ventures	3	371,010.28	133,817.50
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)		-288,496,032.08	-65,049,624.65
Credit impairment loss		48,062,187.18	-25,330,909.48
Assets impairment loss		-226,938,234.93	-162,534,240.48
Gains on asset disposal (or less: losses)		1,129,707.40	298,509.83
II. Operating profit (or less: losses)		1,928,533,068.11	1,661,179,727.42
Add: Non-operating revenue		6,593,621.94	20,296,170.71
Less: Non-operating expenditures		13,223,006.77	118,433,029.07
III. Profit before tax (or less: total loss)		1,921,903,683.28	1,563,042,869.06
Less: Income tax expenses		186,542,884.00	-20,502,005.08
IV. Net profit (or less: net loss)		1,735,360,799.28	1,583,544,874.14
(I) Net profit from continuing operations (or less: net loss)		1,735,360,799.28	1,583,544,874.14
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax		28,900,000.00	-44,700,000.00
(I) Not to be reclassified subsequently to profit or loss		28,900,000.00	-44,700,000.00
1. Remeasurements of the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments		28,900,000.00	-44,700,000.00
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve			
7. Others			
VI. Total comprehensive income		1,764,260,799.28	1,538,844,874.14
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative: 任海亮印　Officer in charge of accounting: 郭健　Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.
Consolidated cash flow statement for the year ended December 31, 2023
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		17,489,952,740.51	18,299,595,644.92
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling fees and commissions			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		1,022,001,249.04	1,076,128,010.31
Other cash receipts related to operating activities	1	3,156,084,033.02	2,166,977,937.66
Subtotal of cash inflows from operating activities		21,668,038,022.57	21,542,701,592.89
Cash payments for goods purchased and services received		11,071,355,390.75	12,597,353,318.28
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling fees and commissions			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		1,879,547,582.50	1,823,071,711.28
Cash payments for taxes and rates		402,620,415.05	294,434,818.30
Other cash payments related to operating activities	2	4,420,445,887.26	3,941,294,275.84
Subtotal of cash outflows from operating activities		17,773,969,275.56	18,656,154,123.70
Net cash flows from operating activities		3,894,068,747.01	2,886,547,469.19
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		1,444,419,874.89	285,914,390.00
Cash receipts from investment income		17,523,825.79	60,806,606.11
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		27,684,753.54	37,044,215.52
Net cash receipts from the disposal of subsidiaries & other business units		579,980.34	350,000.00
Other cash receipts related to investing activities	3	1,051,193,876.58	835,069,059.74
Subtotal of cash inflows from investing activities		2,541,402,311.14	1,219,184,271.37
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		1,725,296,766.25	1,478,370,197.99
Cash payments for investments		907,900,000.00	649,035,000.00
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities	4	890,000,000.00	
Subtotal of cash outflows from investing activities		3,523,196,766.25	2,127,405,197.99
Net cash flows from investing activities		-981,794,455.11	-908,220,926.62
III. Cash flows from financing activities:			
Cash receipts from absorbing investments		150,707,706.60	100,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments		150,707,706.60	100,000.00
Cash receipts from borrowings		1,777,640,269.00	2,465,663,705.34
Other cash receipts related to financing activities	5	2,233,294,045.46	1,342,481,672.58
Subtotal of cash inflows from financing activities		4,161,642,021.06	3,808,245,377.92
Cash payments for the repayment of borrowings		1,687,452,789.14	1,594,763,500.00
Cash payments for distribution of dividends or profits and for interest expenses		621,429,391.61	413,992,471.16
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			331,426.33
Other cash payments related to financing activities	6	2,330,410,521.54	1,801,648,051.45
Subtotal of cash outflows from financing activities		4,639,292,702.29	3,810,404,022.61
Net cash flows from financing activities		-477,650,681.23	-2,158,644.69
IV. Effect of foreign exchange rate changes on cash and cash equivalents		107,026,104.24	69,789,682.36
V. Net increase in cash and cash equivalents		2,541,649,714.91	2,045,957,580.24
Add: Opening balance of cash and cash equivalents		2,648,394,342.65	602,436,762.41
VI. Closing balance of cash and cash equivalents		5,190,044,057.56	2,648,394,342.65

Legal representative: 任海亮 Officer in charge of accounting: 郭健 Head of accounting department: 康佳男

Hengdian Group DMEGC Magnetics Co., Ltd.

Parent company cash flow statement for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		20,908,074,927.38	22,570,772,582.74
Receipts of tax refund		1,018,454,825.83	1,027,653,183.41
Other cash receipts related to operating activities		2,521,782,499.03	1,870,618,943.96
Subtotal of cash inflows from operating activities		24,448,312,252.24	25,469,044,710.11
Cash payments for goods purchased and services received		15,953,479,332.55	17,253,634,752.51
Cash paid to and on behalf of employees		1,395,641,749.78	1,434,818,359.35
Cash payments for taxes and rates		227,985,510.55	201,733,341.78
Other cash payments related to operating activities		4,278,835,518.21	3,597,198,534.50
Subtotal of cash outflows from operating activities		21,855,942,111.09	22,487,384,988.14
Net cash flows from operating activities		2,592,370,141.15	2,981,659,721.97
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		368,230,000.01	285,914,390.00
Cash receipts from investment income		44,761,908.45	49,097,869.32
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		29,230,924.13	28,393,100.47
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		3,029,337,909.42	1,269,375,910.21
Subtotal of cash inflows from investing activities		3,471,560,742.01	1,632,781,270.00
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		608,839,390.63	1,317,709,530.30
Cash payments for investments		322,921,883.00	678,735,000.00
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities		3,195,514,334.22	828,703,864.99
Subtotal of cash outflows from investing activities		4,127,275,607.85	2,825,148,395.29
Net cash flows from investing activities		-655,714,865.84	-1,192,367,125.29
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Cash receipts from borrowings		1,060,840,269.00	1,605,663,705.34
Other cash receipts related to financing activities		3,296,371,595.07	1,579,864,080.56
Subtotal of cash inflows from financing activities		4,357,211,864.07	3,185,527,785.90
Cash payments for the repayment of borrowings		610,781,014.34	980,763,500.00
Cash payments for distribution of dividends or profits and for interest expenses		613,548,001.75	408,884,958.32
Other cash payments related to financing activities		2,800,715,513.68	1,769,534,006.07
Subtotal of cash outflows from financing activities		4,025,044,529.77	3,159,182,464.39
Net cash flows from financing activities		332,167,334.30	26,345,321.51
IV. Effect of foreign exchange rate changes on cash and cash equivalents		101,209,238.13	77,085,947.21
V. Net increase in cash and cash equivalents		2,370,031,847.74	1,892,723,865.40
Add: Opening balance of cash and cash equivalents		2,330,856,487.79	438,132,622.39
VI. Closing balance of cash and cash equivalents		4,700,888,335.53	2,330,856,487.79

Legal representative: 任海亮印　　Officer in charge of accounting: 郭健　　Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.

Consolidated statement of changes in equity for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Current period cumulative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	1,626,712,074.00					210,001,648.89	36,657,093.77		755,721,839.23		5,541,041,420.01	21,271,280.44	7,771,402,058.56
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	1,626,712,074.00					210,001,648.89	36,657,093.77		755,721,839.23		5,541,041,420.01	21,271,280.44	7,771,402,058.56
III. Current period increase (or less: decrease)					543,118.23	2,778,792.43	25,279,612.58		54,128,851.10		1,178,302,721.14	161,574,666.07	1,417,050,176.69
(I) Total comprehensive income							25,279,612.58				1,816,173,218.66	7,510,077.70	1,848,962,908.94
(II) Capital contributed or withdrawn by owners					543,118.23	2,778,792.43						154,064,588.37	151,828,914.17
1. Ordinary shares contributed by owners						2,778,792.43						150,707,706.60	147,928,914.17
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others					543,118.23							3,356,881.77	3,900,000.00
(III) Profit distribution									54,128,851.10		-637,870,497.52		-583,741,646.42
1. Appropriation of surplus reserve									54,128,851.10		-54,128,851.10		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-583,741,646.42		-583,741,646.42
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Current period appropriation													
2. Current period use													
(VI) Others													
IV. Balance at the end of current period	1,626,712,074.00				543,118.23	212,780,441.32	61,936,706.35		809,850,690.33		6,719,344,141.15	182,845,946.51	9,188,452,235.25

Legal representative: 任海亮印

Officer in charge of accounting: 郭健

Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.
Consolidated statement of changes in equity for the year ended December 31, 2023 (continued)
(Expressed in Renminbi Yuan)

Items	Preceding period comparative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	1,626,712,074.00						81,248,147.73		601,430,919.81		4,420,540,804.75	38,592,352.35	6,768,524,298.64
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	1,626,712,074.00						81,248,147.73		601,430,919.81		4,420,540,804.75	38,592,352.35	6,768,524,298.64
III. Current period increase (or less: decrease)						210,001,648.89	-44,591,053.96		154,290,919.42		1,120,500,615.26	-17,321,071.91	1,002,877,759.92
(I) Total comprehensive income							-44,591,053.96				1,669,265,497.69	-1,153,213.57	1,623,521,230.16
(II) Capital contributed or withdrawn by owners						210,001,648.89			-4,063,567.99			-15,836,432.01	-229,901,648.89
1. Ordinary shares contributed by owners						210,001,648.89						100,000.00	-209,901,648.89
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others									-4,063,567.99			-15,936,432.01	-20,000,000.00
(III) Profit distribution									158,354,487.41		-548,764,882.43	-331,426.33	-390,741,821.35
1. Appropriation of surplus reserve									158,354,487.41		-158,354,487.41		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-390,410,395.02	-331,426.33	-390,741,821.35
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Current period appropriation													
2. Current period use													
(VI) Others													
IV. Balance at the end of current period	1,626,712,074.00					210,001,648.89	36,657,093.77		755,721,839.23		5,541,041,420.01	21,271,280.44	7,771,402,058.56

Legal representative: 任海亮印 Officer in charge of accounting: 郭健 Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.

Parent company statement of changes in equity for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	1,626,712,074.00				13,460,173.41	210,001,648.89	39,300,000.00		759,227,185.90	4,835,693,225.92	7,064,391,010.34
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	1,626,712,074.00				13,460,173.41	210,001,648.89	39,300,000.00		759,227,185.90	4,835,693,225.92	7,064,391,010.34
III. Current period increase (or less: decrease)						2,778,792.43	28,900,000.00		54,128,851.10	1,097,490,301.76	1,177,740,360.43
(I) Total comprehensive income							28,900,000.00			1,735,360,799.28	1,764,260,799.28
(II) Capital contributed or withdrawn by owners						2,778,792.43					-2,778,792.43
1. Ordinary shares contributed by owners						2,778,792.43					-2,778,792.43
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution									54,128,851.10	-637,870,497.52	-583,741,646.42
1. Appropriation of surplus reserve									54,128,851.10	-54,128,851.10	
2. Appropriation of profit to owners										-583,741,646.42	-583,741,646.42
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Current period appropriation											
2. Current period use											
(VI) Others											
IV. Balance at the end of current period	1,626,712,074.00				13,460,173.41	212,780,441.32	68,200,000.00		813,356,037.00	5,933,183,527.68	8,242,131,370.77

Legal representative: 任海亮印

Officer in charge of accounting: 郭健

Head of accounting department: 康佳男印

Hengdian Group DMEGC Magnetics Co., Ltd.

Parent company statement of changes in equity for the year ended December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	1,626,712,074.00				13,460,173.41		84,000,000.00		600,872,698.49	3,800,913,234.21	6,125,958,180.11
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	1,626,712,074.00				13,460,173.41		84,000,000.00		600,872,698.49	3,800,913,234.21	6,125,958,180.11
III. Current period increase (or less: decrease)						210,001,648.89	-44,700,000.00		158,354,487.41	1,034,779,991.71	938,432,830.23
(I) Total comprehensive income							-44,700,000.00			1,583,544,874.14	1,538,844,874.14
(II) Capital contributed or withdrawn by owners						210,001,648.89					-210,001,648.89
1. Ordinary shares contributed by owners						210,001,648.89					-210,001,648.89
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution									158,354,487.41	-548,764,882.43	-390,410,395.02
1. Appropriation of surplus reserve									158,354,487.41	-158,354,487.41	
2. Appropriation of profit to owners										-390,410,395.02	-390,410,395.02
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Current period appropriation											
2. Current period use											
(VI) Others											
IV. Balance at the end of current period	1,626,712,074.00				13,460,173.41	210,001,648.89	39,300,000.00		759,227,185.90	4,835,693,225.92	7,064,391,010.34

Legal representative: Officer in charge of accounting: Head of accounting department:

Hengdian Group DMEGC Magnetics Co., Ltd.

Notes to Financial Statements

For the year ended December 31, 2023

Monetary unit: RMB Yuan

I. Company profile

Hengdian Group DMEGC Magnetics Co., Ltd. (the “Company”) was jointly established by the main founder Hengdian Group Co., Ltd. (restructured and renamed as Nanhua Development Group Co., Ltd.) and four legal persons including Dongyang Chemical Fiber Textile Plant, Dongyang Antibiotics Co., Ltd. (renamed as Zhejiang Apeloa Biotechnology Co., Ltd.), Dongyang No.9 Organic Synthetic Chemical Plant and Dongyang Jingjiang Chemical Plant under the document of approval numbered Zhe Zheng Fa [1999] 38 issued by the People’s Government of Zhejiang Province. The Company was registered at Zhejiang Administration for Industry and Commerce on March 30, 1999 and headquartered in Hengdian Town, Dongyang City, Zhejiang Province. The Company currently holds a business license with unified social credit code of 91330000712560751D, with registered capital of 1,626,712,074.00 yuan, total share of 1,626,712,074 shares (each with par value of one yuan), of which, 1,654,065 shares are restricted outstanding A shares, and 1,625,058,009 shares are unrestricted outstanding A shares. The Company’s shares were listed on the Shenzhen Stock Exchange on August 2, 2006.

The Company belongs to electronic components, electrical machinery and equipment manufacturing industry and is mainly engaged in R&D, manufacturing and sales of magnetic materials, PV products, lithium-ion batteries and components. The Company’s main products and services are solar cells and modules, hard ferrite, soft ferrite, plastic bonded magnet series products, lithium-ion batteries, components, etc.

The financial statements were approved and authorized for issue by the ninth meeting of the ninth session of the Board of Directors dated March 7, 2024.

II. Preparation basis of the financial statements

(I) Preparation basis

The financial statements have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

The Company has no events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the balance sheet date.

III. Significant accounting policies and estimates

Important note: The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, inventories, depreciation of fixed assets, construction in progress, intangible assets, revenue recognition, etc., based on the Company's actual production and operation features.

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, financial performance and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

(III) Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

(IV) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

(V) Determination method and basis for selection of materiality

The Company prepares and discloses financial statements in compliance with the principle of materiality. The items disclosed in notes to the financial statements involving materiality judgements, determination method and basis for selection of materiality are as follows:

Disclosed items involving materiality judgements	Note No.	Determination method and basis for selection of materiality
Significant accounts receivable with provision for bad debts made on an individual basis	V (I) 4 (2) 2)	Accounts receivable with single amount in excess of 0.5% of total assets are identified as significant accounts receivable.
Significant provisions for bad debts of accounts receivable collected or reversed	V (I) 4 (3) 2)	Provisions for bad debts of accounts receivable collected or reversed with single amount in excess of 0.5% of total assets are identified as significant provisions for bad debts of accounts receivable collected or reversed.
Significant accounts receivable written off	V (I) 4 (4) 2)	Accounts receivable written off with single amount in excess of 0.5% of total assets are identified as significant accounts receivable written off.
Significant other receivables with provision for bad debts made on an individual basis	V (I) 7 (3) 2)	Other receivables with single amount in excess of 0.5% of total assets are identified as significant other receivables.
Significant advances paid with age over one year	V (I) 6 (1) 2)	Advances paid with age over one year with single amount in excess of 0.5% of total assets are identified as significant

Disclosed items involving materiality judgements	Note No.	Determination method and basis for selection of materiality
		advances paid with age over one year.
Significant construction in progress	V (I) 16 (2) 2)	Construction in progress with single amount in excess of 0.5% of total assets are identified as significant construction in progress.
Significant accounts payable with age over one year	V (I) 26 (2)	Accounts payable with age over one year with single amount in excess of 0.5% of total assets are identified as significant accounts payable with age over one year.
Significant other payables with age over one year	V (I) 31 (2)	Other payables with age over one year with single amount in excess of 0.5% of total assets are identified as significant other payables with age over one year.
Significant advances received with age over one year or overdue	V (I) 27 (2)	Advances received with age over one year with single amount in excess of 0.5% of total assets are identified as significant advances received with age over one year.
Significant contract liabilities with age over one year	V (I) 28 (2)	Contract liabilities with age over one year with single amount in excess of 0.5% of total assets are identified as significant contract liabilities with age over one year.
Significant cash flows from investing activities	V (III) 1	Cash flows from investing activities with single amount in excess of 10% of total assets are identified as significant cash flows from investing activities.
Significant foreign operating entities	V (V) 1 (2)	Foreign operating entities with profit before tax in excess of 15% of the group's profit before tax are identified as significant foreign operating entities.
Significant subsidiaries, not wholly-owned subsidiaries	VII (I)	Subsidiaries with profit before tax in excess of 15% of the group's profit before tax are identified as significant subsidiaries or significant not wholly-owned subsidiaries.

(VI) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VII) Judgement criteria for control and compilation method of consolidated financial statements

1. Judgement of control

An investor controls an investee if and only if the investor has all the following: (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the investor's returns.

2. Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 – Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VIII) Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.

2. When the Company is a joint operator of a joint operation, it recognizes the following items in relation to its interest in a joint operation:

(1) its assets, including its share of any assets held jointly;

(2) its liabilities, including its share of any liabilities incurred jointly;

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

(4) its share of the revenue from the sale of the assets by the joint operation; and

(5) its expenses, including its share of any expenses incurred jointly.

(IX) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(X) Foreign currency translation

1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with the RMB amounts unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot exchange rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot exchange rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the approximate exchange rate similar to the spot exchange rate at the transaction date. The difference arising from the aforementioned foreign currency translation is included in other comprehensive income.

(XI) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

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

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, they are measured at the transaction price in accordance with “CASBE 14 – Revenues”.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, amortized using effective interest method or recognized with impairment loss.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(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 held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments

to provide a loan at a below-market interest rate, which do not fall within the above category 1) The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with “CASBE 14 – Revenues”.

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial assets expire; or

b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with “CASBE 23 – Transfer of Financial Assets”.

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items is included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions for derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date;

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, financial forecast developed using the Company’s own data, etc.

5. Impairment of financial instruments

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, contract assets, leases receivable, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the

Company expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For leases receivable, and accounts receivable and contract assets resulting from transactions regulated in “CASBE 14 – Revenues”, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the 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, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

(XII) Recognition criteria and accrual method for expected credit losses of receivables and contract assets

1. Receivables and contract assets with expected credit losses measured on a collective basis using similar credit risk features

<table>
<tr><th>Categories</th><th>Basis for determination of portfolio</th><th>Method for measuring expected credit loss</th></tr>
<tr><td>Bank acceptance receivable</td><td rowspan="2">Type of notes</td><td>Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.</td></tr>
<tr><td>Trade acceptance receivable</td><td rowspan="2">Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and expected credit loss rate of accounts receivable, so as to calculate expected credit loss.</td></tr>
<tr><td>Accounts receivable – Portfolio grouped with ages</td><td>Ages</td></tr>
<tr><td>Other receivables – Portfolio grouped with ages</td><td>Ages</td><td>Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and expected credit loss rate of other receivables, so as to calculate expected credit loss.</td></tr>
<tr><td>Contract assets – Portfolio grouped with ages</td><td>Ages</td><td>Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and expected credit loss rate of contract assets, so as to calculate expected credit loss.</td></tr>
</table>

2) Comparison table of ages and expected credit loss rate of portfolio grouped with ages

Ages	Expected credit loss rate of accounts receivable (%)	Expected credit loss rate of other receivables (%)	Expected credit loss rate of trade acceptance receivable (%)	Expected credit loss rate of contract assets (%)
Within 1 year (inclusive, the same hereinafter)	5	5	5	5
1-2 years	10	10	10	10
2-3 years	30	30	30	30
Over 3 years	100	100	100	100

Ages of accounts receivable/other receivables/trade acceptance receivable/contract assets are calculated from the month when such receivables are accrued.

3. Recognition criteria for receivables and contract assets with expected credit losses measured on an individual basis

For receivables and contract assets whose credit risk is significantly different from that of portfolios, the Company accrues expected credit losses on an individual basis.

(XIII) Inventories

1. Classification of inventories

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

2. Accounting method for dispatched inventories

Inventories dispatched from storage are accounted for with weighted average method at the end of each month.

3. Inventory system

Perpetual inventory method is adopted.

4. Amortization method of low-value consumables and packages

(1) Low-value consumables

Low-value consumables are amortized with one-off method.

(2) Packages

Packages are amortized with one-off method.

5. Provision for inventory write-down

At 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 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 less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value are determined separately and are compared with their costs to set the provision for inventory write-down to be made or reversed.

(XIV) Non-current assets or disposal groups held for sale, discontinued operations

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

Non-current assets or disposal groups are accounted for as held for sale when the following conditions are all met: (1) the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; (2) its sales must be highly probable, i.e., the Company has made a decision on the sale plan and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

When the Company acquires a non-current asset or disposal group with a view to resale, it shall classify the non-current asset or disposal group as held for sale at the acquisition date only if the requirement of “expected to be completed within one year” is met at that date and it is highly probable that other criteria for held for sale will be met within a short period (usually within three months).

An asset or a disposal group is still accounted for as held for sale when the Company remains committed to its plan to sell the asset or disposal group in the circumstance that non-related party transactions fail to be completed within one year due to one of the following reasons: (1) a buyer or others unexpectedly set conditions that will extend the sale period, while the Company has taken timely actions to respond to the conditions and expects a favorable resolution of the delaying factors within one year since the setting; (2) a non-current asset or disposal group classified as held for sale fails to be sold within one year due to rare cases, and the Company has taken action necessary to respond to the circumstances during the initial one-year period and the criteria for held for sale are met.

2. Accounting treatments of non-current assets or disposal groups held for sale

(1) Initial measurement and subsequent measurement

For initial measurement and subsequent measurement as at the balance sheet date of a non-current asset or disposal group held for sale, where the carrying amount is higher than the fair value less costs to sell, the carrying amount is written down to the fair value less costs to sell, and the write-down is recognized in profit or loss as assets impairment loss, meanwhile, provision for impairment of assets held for sale shall be made.

For a non-current asset or disposal group classified as held for sale at the acquisition date, the asset or disposal group is measured on initial recognition at the lower of its initial measurement amount had it not been so classified and fair value less costs to sell. Apart from the non-current asset or disposal group acquired through business combination, the difference arising from the initial recognition of a non-current asset or disposal group at the fair value less costs to sell shall be included into profit or loss.

The assets impairment loss recognized for a disposal group held for sale shall reduce the carrying amount of goodwill in the disposal group first, and then reduce its carrying amount based on the proportion of each non-current asset's carrying amount in the disposal group.

No provision for depreciation or amortization shall be made on non-current assets held for sale or non-current assets in disposal groups held for sale, while interest and other expenses attributable to the liabilities of a disposal group held for sale shall continue to be recognized.

(2) Reversal of assets impairment loss

When there is a subsequent increase in fair value less costs to sell of a non-current asset held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the impairment loss that has been recognized after the non-current asset was classified as held for sale. The reversal shall be included into profit or loss. Assets impairment loss that has been recognized before the classification is not reversed.

When there is a subsequent increase in fair value less costs to sell of a disposal group held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the non-current assets impairment loss that has been recognized after the disposal group was classified as held for sale. The reversal shall be included into profit or loss. The reduced carrying amount of goodwill and non-current assets impairment loss that has been recognized before the classification is not reversed.

For the subsequent reversal of the impairment loss that has been recognized in a disposal group held for sale, the carrying amount is increased based on the proportion of carrying amount of each non-current asset (excluding goodwill) in the disposal group.

(3) Non-current asset or disposal group that is no longer classified as held for sale and derecognized

A non-current asset or disposal group that does not meet criteria for held for sale and no longer classified as held for sale, or a non-current asset that removed from a disposal group held for sale shall be measured at the lower of: 1) its carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had it not been classified as held for sale; and 2) its recoverable amount.

When a non-current asset or disposal group classified as held for sale is derecognized, unrecognized gains or losses shall be included into profit or loss.

3. Recognition criteria of discontinued operations

A component of the Company that has been disposed of, or is classified as held for sale and can be clearly distinguished is recognized as a discontinued operation when it fulfills any of the following conditions:

(1) it represents a separate major line of business or a separate geographical area of operations;

(2) it is part of a related plan to dispose of a separate major line of business or a separate geographical area of operations; or

(3) it is a subsidiary acquired exclusively with a review to resale.

4. Presentation method of discontinued operations

The Company presents gains or losses from continuing operations and gains or losses from discontinued operations separately in the income statement. Operating gains or losses including impairment loss of discontinued operations and its reversal amount, and gains or losses on disposal are presented as gains or losses from discontinued operations. For discontinued operations presented in the current period, the information previously presented as gains or losses from continuing operations is reclassified as gains or losses from discontinued operations for the comparative period in the current financial statements. For discontinued operations that no longer meet criteria for held for sale, the information previously presented as gains or losses from discontinued operations is reclassified as gains or losses from continuing operations for the comparative period in the current financial statements.

(XV) Long-term equity investments

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a "bundled transaction", stages as a whole are considered as one transaction in accounting treatment. If it is not a "bundled transaction", on the date of combination, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of long-term equity investments at the acquisition date and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a "bundled transaction". If it is a "bundled transaction", stages as a whole are considered as one transaction in accounting treatment. If it is not a "bundled transaction", the carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer's previously held equity interest in the acquiree involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from remeasurement of defined benefit plan of the acquiree.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE 12 – Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE 7 – Non-cash Assets Exchange".

3. Subsequent measurement and recognition method of profit or loss

For a long-term equity investment with control relationship, it is accounted for with cost method; for a long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

4. Disposal of a subsidiary in stages resulting in the Company's loss of control

(1) Judgement principles of "bundled transaction"

For disposal of a subsidiary in stages resulting in the Company's loss of control, the Company determines whether it is a "bundled transaction" based on the agreement terms for each stage, disposal consideration obtained separately, object of the equity sold, disposal method, disposal time point, etc. If the terms, conditions and economic effect of each transaction meet one or more of the following conditions, these transactions are usually considered as a "bundled transaction":

1) these transactions are entered into at the same time or in contemplation of each other;

2) these transactions form a single transaction designed to achieve an overall commercial effect;

3) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; and

4) one transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions.

(2) Accounting treatments of non-bundled transactions

1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is accounted for according to "CASBE 22 – Financial Instruments: Recognition and Measurement".

2) Consolidated financial statements

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is remeasured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

(3) Accounting treatment of bundled transaction

1) Stand-alone financial statements

Stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control over a subsidiary, the difference between the disposal consideration at each stage and the carrying amount of long-term equity investments corresponding to the disposed investments is recognized as other comprehensive income at the stand-alone financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

2) Consolidated financial statements

Stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control over a subsidiary, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

(XVI) Investment property

1. Investment property includes land use right of leased-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

(XVII) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	5-20	1-5	4.75-19.80
Photovoltaic power station	Straight-line method	15	0-5	6.33-6.67
General equipment	Straight-line method	5-10	0-10	9.00-20.00
Special equipment	Straight-line method	5-10	0-10	9.00-20.00

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Transport facilities	Straight-line method	4-10	3-5	9.50-24.25
Other equipment	Straight-line method	5-10	0-5	9.50-20.00

(XVIII) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress is not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

Categories	Standards and time point of transferring construction in progress to fixed assets
Buildings and structures	The design requirements or standards specified in the contract are met after completion
Special equipment	The design requirements or standards specified in the contract are met after installation and commissioning

(XIX) Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless the following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings in the current period less the interest income on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the excess of the accumulative capital disbursements over the special borrowings by the capitalization rate of the general borrowing used.

(XX) Intangible assets

1. Intangible assets include land use right, software, non-patented technology, etc. The initial measurement of intangible assets is based on its cost.

2. For intangible assets with finite useful lives, their amortization amounts are amortized within their useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Useful life and determination basis	Amortization method
Land use right	15-50 years; Useful years registered on the certificate of titles	Straight-line method
Software	5 years; estimated economic useful life	Straight-line method
Non-patented technology	5-6 years; estimated economic useful life	Straight-line method

3. Permitted scope of R&D costs

(1) Personnel costs

Personnel costs include wages and salaries, basic endowment insurance premiums, basic medical insurance premiums, unemployment insurance premiums, occupational injuries premiums, maternity premiums and housing provident funds for the Company's R&D personnel, as well as labor costs for external R&D personnel.

If R&D personnel serve for multiple R&D projects at the same time, personnel costs are recognized based on their working hour records provided by the Company's administrative department, and proportionately allocated among different R&D projects.

If personnel directly engaged in R&D activities and external R&D personnel are engaged in non-R&D activities at the same time, the Company, based on their working hour records at different positions, allocates personnel costs actually incurred between R&D expenses and production and operating expenses using reasonable methods such as the ratio of actual working hours.

(2) Direct input costs

Direct input costs refer to relevant expenses actually incurred by the Company for R&D activities, which include: 1) materials, fuel and power costs directly consumed by R&D activities; 2) development and manufacturing costs of molds and craft equipment used for intermediate tests and trial production, acquisition costs of samples, prototypes and general testing methods that do not constitute fixed assets, and inspection costs of trial production; and 3) operation and maintenance, adjustment, inspection, testing and repairing costs of instruments and equipment used for R&D activities.

(3) Depreciation and long-term prepayments

Depreciation refers to the depreciation of instruments, equipment and in-use buildings used for R&D activities.

For instruments, equipment and in-use buildings both used for R&D activities and non-R&D activities, necessary records shall be kept on their usage, and depreciation actually incurred is allocated between R&D expenses and production and operating expenses in a reasonable manner based on the actual working hours, the usable area, etc.

Long-term prepayments refer to those incurred during renovation, modification, decoration and repairing of R&D facilities, which are collected based on actual amount and amortized evenly over a specified period.

(4) Amortization of intangible assets

Amortization of intangible assets refer to the amortization of software, intellectual property, and non-patented technology (proprietary technology, licenses, design and calculation methods, etc.) used for R&D activities.

(5) Design expenses

Design expenses refer to expenses incurred for the conception, development and manufacturing of new products and techniques, design of processes, technical specifications, process specification formulation, operational characteristics, etc., including expenses incurred for creative design activities to obtain innovative, creative and breakthrough products.

(6) Equipment commissioning and testing expenses

Equipment commissioning expenses refer to expenses incurred for R&D activities during tooling preparation, including expenses incurred for activities such as development of special and specialized production machines, changes in production and quality control procedures, development of new methods and standards, etc.

Expenses incurred for routine tooling preparation and industrial engineering for the purpose of large-scale/mass and commercial production are not included in the permitted scope.

Testing expenses include clinical trial fees for new drug development, on-site testing fees for exploration and production technologies, field testing fees, etc.

(7) R&D outsourcing expenses

R&D outsourcing expenses refer to expenses incurred for R&D activities outsourced to other domestic or foreign organizations or individuals (outcomes of R&D activities are owned by the Company and closely related to the Company's main business operations).

(8) Other expenses

Other expenses refer to expenses other than those mentioned above that are directly related to R&D activities, including technical books and materials fees, data translation fees, expert consultation fees, high-tech R&D insurance premiums, R&D outcomes search, demonstration, evaluation, appraisal and acceptance fees, intellectual property application, registration and agency fees, conference fees, business travelling fees, communication fees, etc.

4. Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(XXI) Impairment of part of long-term assets

For long-term assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is to be estimated. For goodwill recognized in business combination and intangible assets with indefinite useful lives, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related asset group or asset group portfolio.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

(XXII) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within the beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XXIII) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. Meanwhile, the Company discounts obligations under the defined benefit plan to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the fair value of defined benefit plan assets from the present value of the defined benefit plan obligation as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of the period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or (2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

5. Other long-term employee benefits

When other long-term employee benefits provided to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan, while other benefits are accounted for in accordance with the requirements relating to defined benefit plan. The Company recognizes the cost of employee benefits arising from other long-term employee benefits as the followings: (1) service cost; (2) net interest on the net liability or net assets of other long-term employee benefits; and (3) changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

(XXIV) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

(XXV) Share-based payment

1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for settlements, modifications and cancellations of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service or fulfills certain performance conditions, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the services received can be measured reliably, the fair value is measured at the date the Company receives the service; if the fair value of the services received cannot be measured reliably, but that of equity instruments can be measured reliably, the fair value of the equity instruments granted measured at the date the Company receives the service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service or fulfills certain performance conditions, the liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

(3) Modifications and cancellations of share-based payment plan

If the modification increases the fair value of the equity instruments granted, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

If the modification reduces the fair value of the equity instruments granted, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than that cancelled when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(XXVI) Revenue

1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the customer can control goods as they are created by the Company's performance; (3) goods created during the Company's performance have irreplaceable uses and the Company has an enforceable right to the payments for performance completed to date during the whole contract period.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the customer obtains control of relevant goods or services. To determine whether the customer has obtained control of goods, the Company shall consider the following indications: (1) the Company has a present right to payments for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the customer, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other evidence indicating the customer has obtained control over the goods.

2. Revenue measurement principle

(1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the

extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

(4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. Revenue recognition method

(1) Sales of solar cells and modules, magnetic materials, lithium-ion batteries, components, etc.

The Company's sales business of solar cells and modules, magnetic materials, lithium-ion batteries, components, etc. is a performance obligation satisfied at a point in time. Revenue from domestic sales shall be recognized if, and only if, the following conditions are all met: 1) the Company has delivered goods to the customer as agreed by contract and such delivered goods have been verified for acceptance by customers; 2) the Company has collected the payments or has obtained the right to the payments, and related economic benefits are highly probable to flow to the Company; 3) significant risks and rewards of ownership of the goods have been transferred; and 4) the legal title of the goods have been transferred. Revenue from overseas sales shall be recognized if, and only if, the following conditions are all met: 1) the Company has declared goods to the customs based on contractual agreements and has obtained a bill of lading; 2) the Company has collected the payments or has obtained the right to the payments, and related economic benefits are highly probable to flow to the Company; 3) significant risks and rewards of ownership of the goods have been transferred; and 4) the legal title of the goods have been transferred.

(2) Revenue from photovoltaic power generation

Photovoltaic power generation business is a performance obligation satisfied at a point in time. Revenue from photovoltaic power generation business is recognized when electricity is supplied to power grid company in the location of the power station and the Company has obtained "electricity bill statement".

(3) Revenue from EPC project for photovoltaic power station

EPC project for photovoltaic power station is a performance obligation satisfied at a point in time, and revenue is recognized when photovoltaic power station is completed and reaches grid-connected power generation conditions.

(XXVII) Costs of obtaining a contract and costs to fulfill a contract

The Company recognizes as an asset the incremental costs of obtaining a contract if those costs are expected to be recovered. The costs of obtaining a contract shall be included into profit or loss when incurred if the amortization period of the asset is one year or less.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfill a contract as an asset if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;

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

3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred. The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

(XXVIII) Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

(XXIX) Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value cannot be assessed.

2. Government grants related to assets

Government grants related to assets are government grants with which the Company purchases, constructs or otherwise acquires long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants, and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount are directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the period in which the disposal occurred.

3. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred, they are thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses, they are recognized as deferred income and included in profit or loss or used to offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or used to offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or used to offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

5. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the

policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

(XXX) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence indicating that it is probable that future taxable income will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; and (2) the transactions or items directly recognized in equity.

5. Deferred tax assets and deferred tax liabilities shall offset each other and be presented on a net basis when the following conditions are all met: (1) the Company has the legal right to settle off current tax assets against current tax liabilities; (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on either: 1) the same taxable entity; or 2) different taxable entities which intend either to settle current tax liabilities and assets 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.

(XXXI) Leases

1. The Company as lessee

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method over the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

(1) Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the initial measurement of the lease liabilities; 2) any lease payments made at or before the commencement date, less any lease incentives received; 3) any initial direct costs incurred by the lessee; and 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method. If it is reasonable to be certain that the ownership of the underlying asset can be acquired by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(2) Lease liabilities

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company’s incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date, if there is a change in the following items: 1) actual fixed payments; 2) amounts expected to be payable under residual value guarantees; 3) an index or a rate used to determine lease payments; 4) assessment result or exercise of purchase option, extension option or termination option, the Company remeasures the lease liability based on the present value of lease payments after changes, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero but there shall be a further reduction in the lease liability, the remaining amount shall be recognized into profit or loss.

2. The Company as lessor

At the commencement date, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

(1) Operating lease

Lease receipts are recognized as lease income with straight-line method over the lease term. Initial direct costs incurred shall be capitalized, amortized on the same basis as the recognition of lease income, and included into profit or loss by installments. Variable lease payments related to operating lease which are not included in the lease payment are charged as profit or loss in the periods in which they are incurred.

(2) Finance lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

3. Sale and leaseback

(1) The Company as the lessee

In accordance with the “CASBE 14 – Revenues”, the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company measures the right-of-use asset arising from the leaseback at the proportion of the original carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the lessor.

Otherwise, the Company continues the recognition of the transferred assets, and recognizes a financial liability equal to the amount of transfer income in accordance with the “CASBE 22 – Financial Instruments: Recognition and Measurement” at the same time.

(2) The Company as the lessor

In accordance with the “CASBE 14 – Revenues”, the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company accounts for the purchase of assets in accordance with other applicable standards, and accounts for the lease of assets in accordance with the "CASBE 21 – Leases".

Otherwise, the Company does not recognize the transferred asset, but recognizes a financial asset equal to the amount of transfer income in accordance with the "CASBE 22 – Financial Instruments: Recognition and Measurement".

(XXXII) Segment reporting

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

1. that engages in business activities from which it may earn revenues and incur expenses;

2. whose financial performance is regularly reviewed by the Management to make decisions about resource to be allocated to the segment and to assess its performance; and

3. for which accounting information regarding financial position, financial performance and cash flows is available through analysis.

(XXXIII) Significant changes in accounting policies

Changes in accounting policies arising from changes in CASBEs

The Company has adopted the regulations about accounting for deferred tax related to assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply in the "Interpretation of China Accounting Standards for Business Enterprises No. 16" issued by the Ministry of Finance since January 1, 2023, and makes adjustments on such single transactions occurring between the beginning of the earliest comparative period and the first adoption date accordingly. For taxable and deductible temporary differences associated with lease liabilities and right-of-use assets, provisions associated with decommissioning obligations and corresponding assets arising from such single transactions and presented at the beginning of the earliest comparative period, the cumulative effect of initially applying such regulations and "CASBE 18 – Enterprise Income Tax" shall be adjusted into retained earnings or other related items at the beginning of the earliest comparative period presented. Such change in accounting policies has no significant impact on the Company's financial statements.

IV. Taxes

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	13%, 11%, 9%, 6%, 5%, 3%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of lease income	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2%; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12%.
Urban maintenance and construction tax	Turnover tax actually paid	The subsidiary Yibin Jinchuan Electronics Co., Ltd. and the sub-subsidiaries Yibin Jinchuan Machinery Manufacturing Co., Ltd. and Ganzhou DMEGC Magnetics Electronics Co., Ltd. are subject to the tax rate of 7% based on turnover tax payable, while the Company and other domestic subsidiaries are subject to the tax rate of 5% based on turnover tax payable.
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	The subsidiary Wuxue DMEGC Magnetics Magnetic Material Co., Ltd. is subject to the tax rate of 1.5% based on turnover tax payable, while the Company and other domestic subsidiaries are subject to the tax rate of 2% based on turnover tax payable.
Enterprise income tax	Taxable income	25%, 20%, 15%; foreign subsidiaries are subject to the local enterprise income tax rate.

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
The Company	15%
Zhejiang Dongyang DMEGC Chengji Electronics Co., Ltd.	15%
Qixian DMEGC New Energy Co., Ltd.	15%
Yibin Jinchuan Electronics Co., Ltd.	15%
Yibin Jinchuan Machinery Manufacturing Co., Ltd.	15%
Sichuan DMEGC New Energy Technology Co., Ltd.	15%

Taxpayers	Income tax rate
Huoshan DMEGC Electronic Technology Co., Ltd.	15%
Wuxue DMEGC Magnetic Material Co., Ltd.	15%
Ganzhou DMEGC Electronics Co., Ltd.	15%
Eight subsidiaries and sub-subsidiaries including Dongyang Zhongshi Mould Co., Ltd.	20%
Domestic taxpayers other than the above-mentioned	25%

(II) Tax preferential policies

1. VAT

(1) Export goods enjoy the “exemption, credit, and refund” tax preferential policy, the tax refund rate is 13% in the current period.

(2) Pursuant to the “Circular on VAT Preferential Policies for Promoting Employment of Disabled Persons” issued by the Ministry of Finance and the State Taxation Administration (Cai Shui [2016] No. 52), the Company’s sub-subsidiary Dongyang Hengdian DMEGC Electric Machine Co., Ltd. enjoys the preferential policies of VAT refund upon collection, and the tax refund limit is determined based on four times the approved monthly minimum wage standard for the disabled employees. In the current period, the amount of VAT refund upon collection received by Dongyang Hengdian DMEGC Electric Machine Co., Ltd. was 1,183,488.06 yuan.

(3) Pursuant to the “Announcement on the VAT Extra Deduction Policy for Advanced Manufacturing Enterprises” (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 43), the Company’s subsidiaries Qixian DMEGC New Energy Co., Ltd., Zhejiang Dongyang DMEGC Chengji Electronics Co., Ltd., Huoshan DMEGC Electronic Technology Co., Ltd. and Yibin Jinchuan Electronics Co., Ltd. are entitled to enjoy VAT extra deduction policy as advanced manufacturing enterprises, with actual VAT deductions of 2,093,027.44 yuan, 979,527.52 yuan, 593,808.99 yuan and 2,747,344.88 yuan, respectively, in 2023.

2. Enterprise income tax

(1) The Company is a high-tech enterprise. Pursuant to the “Announcement on Record Filing of Accredited High-Tech Enterprises in Zhejiang Province of 2023” issued by National High-tech Accreditation Administration Leading Group Office, the Company passed the high-tech enterprise qualification accreditation with a valid term of three years and was entitled to enjoy the enterprise income tax preferential policies from January 1, 2023 to December 31, 2025. Therefore, its enterprise income tax was levied at 15% in the current period.

(2) The Company’s subsidiary Zhejiang Dongyang DMEGC Chengji Electronics Co., Ltd. is a high-tech enterprise. Pursuant to the “Announcement on Record Filing of Accredited High-Tech Enterprises in Zhejiang Province of 2023” issued by National High-tech Accreditation Administration Leading Group Office, this subsidiary passed the high-tech enterprise qualification

accreditation with a valid term of three years and was entitled to enjoy the enterprise income tax preferential policies from January 1, 2023 to December 31, 2025. Therefore, its enterprise income tax was levied at 15% in the current period.

(3) The Company's subsidiary Qixian DMEGC New Energy Co., Ltd. is a high-tech enterprise. Pursuant to the "Circular on the Accreditation of the First Batch of Henan Provincial High-Tech Enterprises of 2021" (Yu Ke [2021] No. 175) issued by Department of Science and Technology of Henan Province, Henan Provincial Department of Finance and Henan Provincial Tax Service of State Taxation Administration, this subsidiary passed the high-tech enterprise qualification accreditation with a valid term of three years and was entitled to enjoy the enterprise income tax preferential policies from January 1, 2021 to December 31, 2023. Therefore, its enterprise income tax was levied at 15% in the current period.

(4) The Company's subsidiary Yibin Jinchuan Electronics Co., Ltd. is a high-tech enterprise. Pursuant to the "Announcement on Record Filing of the Second Batch of Accredited High-Tech Enterprises in Sichuan Province of 2023" issued by National High-tech Accreditation Administration Leading Group Office, this subsidiary passed the high-tech enterprise qualification accreditation with a valid term of three years and was entitled to enjoy the enterprise income tax preferential policies from January 1, 2023 to December 31, 2025. Therefore, its enterprise income tax was levied at 15% in the current period.

(5) The Company's subsidiary Huoshan DMEGC Electronic Technology Co., Ltd. is a high-tech enterprise. Pursuant to the "Announcement on Proposed Record Filing of the First Batch of Accredited High-Tech Enterprises in Anhui Province of 2023" issued by National High-tech Accreditation Administration Leading Group Office, this subsidiary passed the high-tech enterprise qualification accreditation with a valid term of three years and was entitled to enjoy the enterprise income tax preferential policies from January 1, 2023 to December 31, 2025. Therefore, its enterprise income tax was levied at 15% in the current period.

(6) The Company's subsidiary Wuxue DMEGC Magnetic Material Co., Ltd. is a high-tech enterprise. Pursuant to the "Announcement on Record Filing of the Third Batch of Accredited High-Tech Enterprises in Hubei Province of 2023" issued by National High-tech Accreditation Administration Leading Group Office, this subsidiary passed the high-tech enterprise qualification accreditation with a valid term of three years and was entitled to enjoy the enterprise income tax preferential policies from January 1, 2023 to December 31, 2025. Therefore, its enterprise income tax was levied at 15% in the current period.

(7) Pursuant to the "Announcement on Continuing the Enterprise Income Tax Policy for the Western Development" (Announcement [2020] No. 23) issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission, encouraged-industry enterprises established in the western region are subject to a reduced rate of

15% for enterprise income tax from January 1, 2021 to December 31, 2030. As the subsidiary Sichuan DMEGC New Energy Technology Co., Ltd. and the sub-subsidiaries Ganzhou DMEGC Electronics Co., Ltd. and Yibin Jinchuan Machinery Manufacturing Co., Ltd. are nationally encouraged-industry enterprises established in the western region, the enterprise income tax was levied at a reduced rate of 15% in the current period.

(8) Eight subsidiaries and sub-subsidiaries including Dongyang Zhongshi Mould Co., Ltd. are small enterprises with meager profit. Pursuant to the “Announcement on the Preferential Income Tax Policies for Small Enterprises with Meager Profit and Individually-owned Business” (Cai Shui [2023] No. 6) issued by the Ministry of Finance and the State Taxation Administration, from January 1, 2023 to December 31, 2024, enterprise income tax for the portion of the taxable income within 1 million yuan of small enterprises with meager profit is levied at 20% based on 25% of that portion of income; pursuant to the “Announcement on the Policies Relating to Taxes and Rates for Further Supporting the Development of Small Enterprises with Meager Profit and Individually-owned Business” (Cai Shui [2023] No. 12) issued by the Ministry of Finance and the State Taxation Administration, the above policy was extended until December 31, 2027. These subsidiaries and sub-subsidiaries are entitled to enjoy these preferential income tax policies as small enterprises with meager profit in 2023.

V. Notes to items of consolidated financial statements

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand	135,825.16	319,750.44
Cash in bank	5,690,948,813.38	4,076,163,707.30
Other cash and bank balances	3,494,015,499.36	1,578,048,112.86
Total	9,185,100,137.90	5,654,531,570.60
Including: Deposited overseas	209,566,771.77	65,162,984.64

(2) Balances with use restrictions as being mortgaged, pledged or frozen

Items	Specific categories	Amount
Cash in bank	Balances frozen due to lawsuits [Note 1]	638,543.82
Other cash and bank balances	Pledged time deposits and interest thereof [Note 2]	3,411,940,889.32
	Deposits for bank acceptance	30,570,916.66
	Deposits for letters of credit	44,896,695.89
	Deposits for letters of guarantee	6,603,073.01
Total		3,494,650,118.70

Note 1: At the balance sheet date, cash in bank of 638,543.82 yuan was frozen by Nanshan Primary People's Court, Shenzhen, Guangdong due to the contract dispute with Shenzhen Yiliu Technology Co., Ltd.

Note 2: At the balance sheet date, all these time deposits and interest thereof have been pledged for the issuance of bank acceptance.

Except for the above-mentioned balances with use restrictions, other cash and bank balances include securities account balances of 3,924.48 yuan, which do not have use restrictions.

2. Held-for-trading financial assets

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss		
Including: Forward foreign exchange contracts	3,123,637.97	
Shares	983,462.58	1,405,889.46
Financial products	[Note]	829,914,646.81
Total	4,107,100.55	831,320,536.27

Note: Please refer to section XIV (II) of notes to the financial statements for details.

3. Notes receivable

(1) Details

Items	Closing balance	Opening balance
Trade acceptance	12,838,279.76	41,768,105.36
Total	12,838,279.76	41,768,105.36

(2) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	13,513,978.70	100.00	675,698.94	5.00	12,838,279.76
Including: Trade acceptance	13,513,978.70	100.00	675,698.94	5.00	12,838,279.76
Total	13,513,978.70	100.00	675,698.94	5.00	12,838,279.76

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	43,966,426.70	100.00	2,198,321.34	5.29	41,768,105.36
Including: Trade acceptance	43,966,426.70	100.00	2,198,321.34	5.29	41,768,105.36
Total	43,966,426.70	100.00	2,198,321.34	5.29	41,768,105.36

2) Notes receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Trade acceptance portfolio	13,513,978.70	675,698.94	5.00
Subtotal	13,513,978.70	675,698.94	5.00

(3) Changes in provision for bad debts

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for bad debts made on a collective basis	2,198,321.34	-1,522,622.40				675,698.94
Total	2,198,321.34	-1,522,622.40				675,698.94

(4) No pledged notes at the balance sheet date.

(5) Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized	Closing balance not yet derecognized
Trade acceptance		13,118,755.87
Subtotal		13,118,755.87

(6) No notes receivable actually written off in the current period.

4. Accounts receivable

(1) Ages analysis

Ages	Closing book balance	Opening book balance
Within 1 year	2,823,218,507.93	2,329,592,669.19
1-2 years	13,025,001.91	12,993,775.97
2-3 years	7,011,630.93	20,833,680.22
Over 3 years	55,234,280.76	46,222,938.93

Ages	Closing book balance	Opening book balance
Total	2,898,489,421.53	2,409,643,064.31

(2) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	81,526,256.11	2.81	27,774,516.40	34.07	53,751,739.71
Receivables with provision made on a collective basis	2,816,963,165.42	97.19	146,126,766.20	5.19	2,670,836,399.22
Total	2,898,489,421.53	100.00	173,901,282.60	6.00	2,724,588,138.93

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	80,709,176.67	3.35	37,976,314.16	47.05	42,732,862.51
Receivables with provision made on a collective basis	2,328,933,887.64	96.65	120,869,079.75	5.19	2,208,064,807.89
Total	2,409,643,064.31	100.00	158,845,393.91	52.24	2,250,797,670.40

2) No significant accounts receivable with provision made on an individual basis at the balance sheet date.

3) Accounts receivable with provision made on a collective basis using age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	2,808,166,227.61	140,408,311.38	5.00
1-2 years	2,439,619.13	243,961.91	10.00
2-3 years	1,261,179.67	378,353.90	30.00
Over 3 years	5,096,139.01	5,096,139.01	100.00
Subtotal	2,816,963,165.42	146,126,766.20	5.19

(3) Changes in provision for bad debts

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for bad debts made on an individual basis	37,976,314.16	1,967,904.80	12,169,702.56			27,774,516.40
Receivables with provision for bad debts made on a collective basis	120,869,079.75	25,334,289.95		76,603.50		146,126,766.20
Total	158,845,393.91	27,302,194.75	12,169,702.56	76,603.50		173,901,282.60

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

1) Accounts receivable actually written off in the current period totaled 76,603.50 yuan.

2) No significant accounts receivable written off in the current period.

(5) Details of the top 5 debtors with largest balances of accounts receivable and contract assets

Debtors	Closing book balance			Proportion to the total balance of accounts receivable and contract assets (%)	Provision for bad debts of accounts receivable and provision for impairment of contract assets
	Accounts receivable	Contract assets	Subtotal		
Debtor 1	355,350,854.32		355,350,854.32	12.23	17,767,542.72
Debtor 2	162,494,749.02		162,494,749.02	5.59	8,124,737.45
Debtor 3	55,689,702.72		55,689,702.72	1.92	2,784,485.14
Debtor 4	45,886,000.00		45,886,000.00	1.58	2,294,300.00
Debtor 5	38,416,627.62		38,416,627.62	1.32	1,920,831.38
Subtotal	657,837,933.68		657,837,933.68	22.64	32,891,896.69

5. Receivables financing

(1) Details

Items	Closing balance	Opening balance
Bank acceptance	340,977,403.23	519,675,211.73
Total	340,977,403.23	519,675,211.73

(2) Provision for impairment

1) Details on categories

Categories	Closing balance				
	Cost		Accumulated provision for credit impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	340,977,403.23				340,977,403.23
Including: Bank acceptance	340,977,403.23				340,977,403.23

Categories	Closing balance				
	Cost		Accumulated provision for credit impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Total	340,977,403.23				340,977,403.23

(Continued)

Categories	Opening balance				
	Cost		Accumulated provision for credit impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	519,675,211.73				519,675,211.73
Including: Bank acceptance	519,675,211.73				519,675,211.73
Total	519,675,211.73				519,675,211.73

2) Receivables financing with provision made on a collective basis

Items	Closing balance		
	Cost	Accumulated provision for credit impairment	Provision proportion (%)
Bank acceptance portfolio	340,977,403.23		
Subtotal	340,977,403.23		

(3) No pledged receivables financing at the balance sheet date.

(4) Endorsed or discounted but undue receivables financing at the balance sheet date

Items	Closing balance derecognized
Bank acceptance	6,623,287,498.71
Subtotal	6,623,287,498.71

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

(5) No receivables financing actually written off in the current period.

6. Advances paid

(1) Age analysis

1) Details

Ages	Closing balance				Opening balance			
	Book balance	% to total	Provision for impairment	Carrying amount	Book balance	% to total	Provision for impairment	Carrying amount
Within 1 year	47,689,589.82	91.01		47,689,589.82	123,416,892.13	97.68		123,416,892.13
1-2 years	2,992,033.27	5.71		2,992,033.27	2,345,402.02	1.86		2,345,402.02
2-3 years	1,700,378.78	3.24		1,700,378.78	50,595.00	0.04		50,595.00
Over 3 years	18,380.00	0.04		18,380.00	529,031.00	0.42		529,031.00
Total	52,400,381.87	100.00		52,400,381.87	126,341,920.15	100.00		126,341,920.15

2) No significant advances paid with age over one year at the balance sheet date.

(2) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Debtor 1	7,979,826.92	15.23
Debtor 2	5,726,000.00	10.93
Debtor 3	5,596,270.21	10.68
Debtor 4	5,000,000.00	9.54
Debtor 5	3,177,304.18	6.06
Subtotal	27,479,401.31	52.44

7. Other receivables

(1) Other receivables categorized by nature

Nature of receivables	Closing book balance	Opening book balance
Export tax refund	34,999,609.87	91,297,492.83
Temporary advance payment receivable	9,908,869.88	18,830,966.74
Security deposits	9,028,675.18	13,423,854.03
Receivables from disposal of equipment	8,987,611.93	
Others	3,192,520.68	3,319,905.65
Total	66,117,287.54	126,872,219.25

(2) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	58,995,006.85	119,177,153.83
1-2 years	3,815,445.58	3,628,417.82
2-3 years	359,910.52	1,770,080.34

Ages	Closing book balance	Opening book balance
Over 3 years	2,946,924.59	2,296,567.26
Total	66,117,287.54	126,872,219.25

(3) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	36,118,930.40	54.63	830,799.53	2.30	35,288,130.87
Receivables with provision made on a collective basis	29,998,357.14	45.37	3,524,910.13	11.75	26,473,447.01
Total	66,117,287.54	100.00	4,355,709.66	6.59	61,761,577.88

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	92,416,813.36	72.84	830,799.53	0.90	91,586,013.83
Receivables with provision made on a collective basis	34,455,405.89	27.16	3,546,461.81	10.29	30,908,944.08
Total	126,872,219.25	100.00	4,377,261.34	3.45	122,494,957.91

2) No significant other receivables with provision made on an individual basis at the balance sheet date.

3) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with ages	29,998,357.14	3,524,910.13	11.75
Including: Within 1 year	23,995,396.98	1,199,769.85	5.00
1-2 years	3,815,445.58	381,544.56	10.00
2-3 years	348,455.52	104,536.66	30.00
Over 3 years	1,839,059.06	1,839,059.06	100.00
Subtotal	29,998,357.14	3,524,910.13	11.75

(4) Changes in provision for bad debts

Items	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	1,393,983.05	361,696.28	2,621,582.01	4,377,261.34
Opening balance in the current period	——	——	——	
--Transferred to stage 2	-190,772.28	190,772.28		
--Transferred to stage 3		-34,845.55	34,845.55	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	-3,440.92	-136,078.45	117,967.69	-21,551.68
Provision recovered or reversed in the current period				
Provision written off in the current period				
Other changes				
Closing balance	1,199,769.85	381,544.56	2,774,395.25	4,355,709.66
Provision proportion (%)	2.02	10.00	91.92	6.59

(5) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Closing book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts at the end of the period
Export tax refund receivable	Export tax refund	34,999,609.87	Within 1 year	52.94	
Debtor 1	Receivables from disposal of equipment	8,587,611.93	Within 1 year	12.99	429,380.60
Debtor 2	Security deposits	1,600,000.00	Within 1 year	2.42	80,000.00
Debtor 3	Security deposits	1,600,000.00	Within 1 year	2.42	80,000.00
Debtor 4	Security deposits	1,500,000.00	Within 1 year	2.27	75,000.00
Subtotal		48,287,221.80		73.03	664,380.60

8. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	470,830,079.39	124,936.85	470,705,142.54	490,098,378.05		490,098,378.05
Work in process	311,543,555.27		311,543,555.27	278,055,878.81		278,055,878.81

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Goods on hand	1,079,534,662.66	57,292,240.40	1,022,242,422.26	1,271,455,556.75	30,099,890.95	1,241,355,665.80
Photovoltaic power station	78,650,344.31		78,650,344.31			
Goods dispatched	7,311,072.26		7,311,072.26	19,516,995.57		19,516,995.57
Self-made semi-finished goods	2,770,981.85		2,770,981.85	7,244,454.24		7,244,454.24
Costs to fulfill a contract	61,615,836.83		61,615,836.83			
Total	2,012,256,532.57	57,417,177.25	1,954,839,355.32	2,066,371,263.42	30,099,890.95	2,036,271,372.47

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or write-off	Others	
Raw materials		124,936.85				124,936.85
Goods on hand	30,099,890.95	58,618,116.23		31,425,766.78		57,292,240.40
Total	30,099,890.95	58,743,053.08		31,425,766.78		57,417,177.25

2) Determination basis of net realizable value and reasons for the reversal or write-off of provision for inventory write-down

For the inventories directly for sale, the net realizable value was determined by estimated selling price of relevant inventories less estimated selling expenses, and relevant taxes and surcharges. For the inventories subject to processing, the net realizable value was determined by estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and relevant taxes and surcharges. At the balance sheet date, the net realizable value of inventories of the same category was determined separately when there was an agreed contract price for one part and no contract price for the other.

In the current period, the reversal or write-off of provision for inventory write-down was due to usage or sales of inventories on which provision had been made.

(3) Costs to fulfill a contract

Items	Opening balance	Increase	Amortization	Provision for impairment	Closing balance
Photovoltaic power installation project		61,615,836.83			61,615,836.83
Subtotal		61,615,836.83			61,615,836.83

9. Contract assets

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Quality guarantee deposit receivable	7,232,794.33	361,639.72	6,871,154.61			
Total	7,232,794.33	361,639.72	6,871,154.61			

(2) Details on provision for impairment

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	7,232,794.33	100.00	361,639.72	5.00	6,871,154.61
Total	7,232,794.33	100.00	361,639.72	5.00	6,871,154.61

(Continued)

Categories	Opening balance				
	Book balance		Provision for impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis					
Total					

2) Contract assets with provision for impairment made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for impairment	Provision proportion (%)
Portfolio grouped with ages	7,232,794.33	361,639.72	5.00
Subtotal	7,232,794.33	361,639.72	5.00

(3) Changes in provision for impairment

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for impairment made on a collective basis		361,639.72				361,639.72
Total		361,639.72				361,639.72

10. Other current assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Input VAT to be credited	164,942,165.12		164,942,165.12	38,190,438.77		38,190,438.77
Prepaid enterprise income tax	28,291,988.24		28,291,988.24	87,948,810.17		87,948,810.17
Total	193,234,153.36		193,234,153.36	126,139,248.94		126,139,248.94

11. Long-term receivables

(1) Details

Items	Closing balance			Opening balance			Discount rate range
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount	
Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.	7,700,000.00	7,700,000.00		7,700,000.00	7,700,000.00		
Total	7,700,000.00	7,700,000.00		7,700,000.00	7,700,000.00		

(2) Other remarks

The balance originally referred to the proposed investment in the associate Wuhan Gangshi DMEGC Magnetic Material Co., Ltd., which has not been implemented due to the poor operating conditions of the associate and the failure to agree with the co-investor on the implementation of the capital increase. Due to the long age of the balance and the revocation of the associate's business license, the Company made a full provision for bad debts in 2008 based on the actual loss rate of receivables with the same age, which remained unchanged in the current period.

12. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in joint ventures	68,268,992.66		68,268,992.66	62,997,982.38		62,997,982.38
Total	68,268,992.66		68,268,992.66	62,997,982.38		62,997,982.38

(2) Details

Investees	Opening balance		Increase/Decrease			
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures						
Dongyang Hengdian DMEGC Equity Investment Fund Partnership (LP)	62,997,982.38				370,536.70	
Dongyang Chanfa Photovoltaic Technology			4,900,000.00		473.58	

Investees	Opening balance		Increase/Decrease			
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Co., Ltd.						
Subtotal	62,997,982.38		4,900,000.00		371,010.28	
Associates						
Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.						
Subtotal						
Total	62,997,982.38		4,900,000.00		371,010.28	

(Continued)

Investees	Increase/Decrease				Closing balance	
	Changes in other equity	Cash dividend/Profit declared for distribution	Provision for impairment	Others	Carrying amount	Provision for impairment
Joint ventures						
Dongyang Hengdian DMEGC Equity Investment Fund Partnership (LP)					63,368,519.08	
Dongyang Chanfa Photovoltaic Technology Co., Ltd.					4,900,473.58	
Subtotal					68,268,992.66	
Associates						
Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.						
Subtotal						
Total					68,268,992.66	

13. Other equity instrument investments

(1) Details

Items	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Gains or losses included into other comprehensive income in the current period	Others
Nanhua Futures Co., Ltd.	91,100,000.00			28,900,000.00	
Ningbo Magnetic Material Application Technology Innovation Center Co., Ltd.	6,000,000.00				
Jiangsu JITRI Advanced Energy Materials Research Institute Co., Ltd.	20,000,000.00				
Sihong DMEGC New Energy Co., Ltd.	150,000.00		150,000.00		

Items	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Gains or losses included into other comprehensive income in the current period	Others
Dongyang Sihe Water Treatment Co., Ltd.	30,000.00				
Total	117,280,000.00		150,000.00	28,900,000.00	

(Continued)

Items	Closing balance	Dividend income recognized in the current period	Accumulated gains or losses included into other comprehensive income at the end of the period
Nanhua Futures Co., Ltd.	120,000,000.00	560,000.00	68,200,000.00
Ningbo Magnetic Material Application Technology Innovation Center Co., Ltd.	6,000,000.00		
Jiangsu JITRI Advanced Energy Materials Research Institute Co., Ltd.	20,000,000.00		
Sihong DMEGC New Energy Co., Ltd.			
Dongyang Sihe Water Treatment Co., Ltd.	30,000.00		
Total	146,030,000.00	560,000.00	68,200,000.00

(2) Reasons for equity instrument investments designated as at fair value through other comprehensive income

The equity investments held by the Company in Nanhua Futures Co., Ltd., Ningbo Magnetic Material Application Technology Innovation Center Co., Ltd., Jiangsu JITRI Advanced Energy Materials Research Institute Co., Ltd., Sihong DMEGC New Energy Co., Ltd. and Dongyang Sihe Water Treatment Co., Ltd. are non-trading equity instrument investments, therefore, the Company designated them as equity instrument investments measured at fair value through other comprehensive income.

(3) Other equity instrument investments derecognized in the current period

Items	Fair value when derecognized	Accumulated gains or losses transferred into retained earnings due to derecognition	Reasons for derecognition
Sihong DMEGC New Energy Co., Ltd.	150,000.00		External transfer
Subtotal	150,000.00		

14. Investment property

(1) Details

Items	Buildings and structures	Land use right	Total
Cost			
Opening balance	53,746,841.94	20,932,129.25	74,678,971.19
Increase			

Items	Buildings and structures	Land use right	Total
Decrease	43,352,921.34	20,932,129.25	64,285,050.59
1) Transfer-out	43,352,921.34	20,932,129.25	64,285,050.59
Closing balance	10,393,920.60		10,393,920.60
Accumulated depreciation and amortization			
Opening balance	16,570,022.74	5,389,867.66	21,959,890.40
Increase	2,360,770.46	434,806.08	2,795,576.54
1) Accrual or amortization	2,360,770.46	434,806.08	2,795,576.54
Decrease	12,803,549.12	5,824,673.74	18,628,222.86
1) Transfer-out	12,803,549.12	5,824,673.74	18,628,222.86
Closing balance	6,127,244.08		6,127,244.08
Carrying amount			
Closing balance	4,266,676.52		4,266,676.52
Opening balance	37,176,819.20	15,542,261.59	52,719,080.79

(2) No investment property with certificate of titles being unsettled at the balance sheet date.

15. Fixed assets

(1) Details

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Photovoltaic power station	Other equipment	Total
Cost							
Opening balance	1,736,514,572.78	51,274,002.59	5,391,546,361.46	24,556,434.88	126,670,556.59	244,409,417.09	7,574,971,345.39
Increase	358,151,142.43	11,609,853.78	1,537,937,522.01	3,797,204.54		16,937,604.73	1,928,433,327.49
1) Acquisition	60,578,586.91	11,179,960.89	230,022,804.98	3,760,036.40		16,335,080.84	321,876,470.02
2) Transferred in from construction in progress	254,219,634.18	429,892.89	1,307,914,717.03	37,168.14		602,523.89	1,563,203,936.13
3) Transferred in from investment property	43,352,921.34						43,352,921.34
Decrease	27,621,850.97	3,344,889.84	678,762,566.98	1,512,623.90		814,870.46	712,056,802.15
1) Disposal/ Scrapping	4,246,150.97	3,344,889.84	466,758,466.98	1,512,623.90		814,870.46	476,677,002.15
2) Offset by government grants under net method	23,375,700.00		212,004,100.00				235,379,800.00
Closing balance	2,067,043,864.24	59,538,966.53	6,250,721,316.49	26,841,015.52	126,670,556.59	260,532,151.36	8,791,347,870.73
Accumulated depreciation							
Opening balance	712,376,553.61	36,637,983.16	1,753,739,166.75	18,525,808.28	38,806,778.87	178,524,310.94	2,738,610,601.61
Increase	105,079,164.13	6,380,565.67	413,478,372.38	1,297,071.79	7,977,169.08	19,794,344.21	554,006,687.26

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Photovoltaic power station	Other equipment	Total
1) Accrual	92,275,615.01	6,380,565.67	413,478,372.38	1,297,071.79	7,977,169.08	19,794,344.21	541,203,138.14
2) Transferred in from investment property	12,803,549.12						12,803,549.12
Decrease	2,027,408.02	3,162,494.50	270,810,434.71	1,434,882.84		774,126.93	278,209,347.00
1) Disposal/ Scrapping	2,027,408.02	3,162,494.50	270,810,434.71	1,434,882.84		774,126.93	278,209,347.00
Closing balance	815,428,309.72	39,856,054.33	1,896,407,104.42	18,387,997.23	46,783,947.95	197,544,528.22	3,014,407,941.87
Provision for impairment							
Opening balance	40,303,143.01	889,938.24	206,679,234.25	49,431.53			247,921,747.03
Increase			191,626,387.58				191,626,387.58
1) Accrual [Note]			191,626,387.58				191,626,387.58
Decrease		26,473.54	154,203,903.76	10,666.45			154,241,043.75
1) Disposal/ Scrapping		26,473.54	154,203,903.76	10,666.45			154,241,043.75
Closing balance	40,303,143.01	863,464.70	244,101,718.07	38,765.08			285,307,090.86
Carrying amount							
Closing balance	1,211,312,411.51	18,819,447.50	4,110,212,494.00	8,414,253.21	79,886,608.64	62,987,623.14	5,491,632,838.00
Opening balance	983,834,876.16	13,746,081.19	3,431,127,960.46	5,981,195.07	87,863,777.72	65,885,106.15	4,588,438,996.75

Note: Among them, pursuant to the resolution of the ninth meeting of the ninth session of the Board of Directors of the Company, the Company made provision for impartment of 183,080,315.93 yuan on machinery with indications of impairment of Sixth Solar Cell Factory in the current period. Canwin CPVs Ltd. conducted an impairment test and evaluation on the assets, and issued the “Appraisal Report” (CWAAR [2024] No. 18) thereon.

(2) Fixed assets temporarily idle

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Buildings and structures	12,117,086.47	7,802,452.44		4,314,634.03	
General equipment	426,259.36	346,609.85		79,649.51	
Special equipment	65,357,833.47	35,673,889.74	8,546,071.65	21,137,872.08	
Subtotal	77,901,179.30	43,822,952.03	8,546,071.65	25,532,155.62	

(3) Fixed assets leased out under operating leases

Items	Closing carrying amount
Buildings and structures	30,549,372.22
Subtotal	30,549,372.22

(4) No fixed assets with certificate of titles being unsettled at the balance sheet date.

(5) Impairment test on fixed assets

Recoverable amount determined based on the present value of estimated future cash flows

Items	Carrying amount	Recoverable amount	Provision for impairment
Asset value group of the Sixth Solar Cell Factory in the Solar Business Division	434,324,915.93	251,244,600.00	183,080,315.93
Subtotal	434,324,915.93	251,244,600.00	183,080,315.93

(Continued)

Items	Forecast period	Key parameters and determination basis for forecast period	Key parameters and determination basis for stable period
Asset value group of the Sixth Solar Cell Factory in the Solar Business Division	3 years	Forecasted period: Determined through a comprehensive analysis of relevant industry research reports, departmental sales plans, and maintenance and usage condition of equipment and property. Forecasted revenue: Determined through a comprehensive analysis of departmental sales plans, production line capacity, market development trends, industry-related product quotations, etc., in combination with actual sales data subsequent to the balance sheet date. Forecasted costs: Raw material procurement costs were determined through a comprehensive analysis of actual procurement data subsequent to the balance sheet date and industry quotation data, and other costs were mainly forecasted by using the ratio prediction method. Forecasted expenses: Mainly forecasted by using the ratio prediction method.	Not applicable

16. Construction in progress

(1) Details

Items	Closing balance	Opening balance
Construction in progress	417,982,011.63	384,645,120.91
Construction materials	976,727.38	976,727.38
Total	418,958,739.01	385,621,848.29

(2) Construction in progress

1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Equipment under installation	91,658,758.10		91,658,758.10	140,801,009.63		140,801,009.63
High-performance lithium battery project with an annual output of 6GWh	27,034,696.92		27,034,696.92	171,346,047.65		171,346,047.65
Soft magnetic ferrite project with an annual output of 15,000 tons	757,596.44		757,596.44	29,845,230.09		29,845,230.09
Newly built high-	30,706,679.25		30,706,679.25	19,175,760.06		19,175,760.06

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
efficiency integrated inductor project						
High-efficiency module project with an annual output of 2.5GW	72,952,794.64		72,952,794.64	8,277,334.99		8,277,334.99
TOPCon solar cell project with an annual output of 2GW	182,575,552.81		182,575,552.81			
High-efficiency solar cell project with an annual output of 12GW	74,336.28		74,336.28			
Solar module project with an annual output of 5GW	105,600.00		105,600.00			
Piecemeal projects	12,115,997.19		12,115,997.19	15,199,738.49		15,199,738.49
Subtotal	417,982,011.63		417,982,011.63	384,645,120.91		384,645,120.91

2) Changes in significant projects

Projects	Budgets (in ten thousand yuan)	Opening balance	Increase	Transferred to fixed assets	Other decreases	Closing balance
Equipment under installation		140,801,009.63	71,574,317.17	120,716,568.70		91,658,758.10
High-performance lithium battery project with an annual output of 6GWh	143,300.00	171,346,047.65	30,155,411.82	174,466,762.55		27,034,696.92
Soft magnetic ferrite project with an annual output of 15,000 tons	33,328.00	29,845,230.09	15,564,213.14	44,651,846.79		757,596.44
Newly built high-efficiency integrated inductor project	77,767.00	19,175,760.06	15,019,518.27	3,488,599.08		30,706,679.25
High-efficiency module project with an annual output of 2.5GW	25,500.00	8,277,334.99	64,783,698.50	108,238.85		72,952,794.64
TOPCon solar cell project with an annual output of 2GW	69,009.00		182,575,552.81			182,575,552.81
High-efficiency solar cell project with an annual output of 12GW	307,150.00		880,104,710.17	880,030,373.89		74,336.28
Solar module project with an annual output of 5GW	33,390.00		319,033,959.12	318,928,359.12		105,600.00
Piecemeal projects		15,199,738.49	17,729,445.85	20,813,187.15		12,115,997.19
Subtotal		384,645,120.91	1,596,540,826.85	1,563,203,936.13		417,982,011.63

(Continued)

Projects	Accumulated input to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in the current period	Annual capitalization rate (%)	Fund source
Equipment under installation		Under construction				Others
High-performance lithium battery project with an annual output of 6GWh	89.25	Under construction				Others
Soft magnetic ferrite project with an annual output of 15,000 tons	43.62	Under construction				Others
Newly built high-efficiency	11.43	Under				Others

Projects	Accumulated input to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in the current period	Annual capitalization rate (%)	Fund source
integrated inductor project		construction				
High-efficiency module project with an annual output of 2.5GW	89.67	Under construction				Others
TOPCon solar cell project with an annual output of 2GW	26.46	Under construction				Others
High-efficiency solar cell project with an annual output of 12GW	32.97	Under construction				Others
Solar module project with an annual output of 5GW	101.78	Under construction				Others
Piecemeal projects						Others

(3) Construction materials

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Construction materials of photovoltaic power station	976,727.38		976,727.38	976,727.38		976,727.38
Subtotal	976,727.38		976,727.38	976,727.38		976,727.38

17. Right-of-use assets

Items	Land use right	Buildings and structures	Total
Cost			
Opening balance	5,824,266.97	6,739,757.96	12,564,024.93
Increase		4,660,708.65	4,660,708.65
1) Leased in		4,660,708.65	4,660,708.65
Decrease			
Closing balance	5,824,266.97	11,400,466.61	17,224,733.58
Accumulated depreciation			
Opening balance	729,302.60	3,453,007.16	4,182,309.76
Increase	336,116.77	2,322,492.31	2,658,609.08
1) Accrual	336,116.77	2,322,492.31	2,658,609.08
Decrease			
Closing balance	1,065,419.37	5,775,499.47	6,840,918.84
Carrying amount			
Closing balance	4,758,847.60	5,624,967.14	10,383,814.74
Opening balance	5,094,964.37	3,286,750.80	8,381,715.17

18. Intangible assets

(1) Details

Items	Land use right	Software	Non-patented technology	Total
Cost				
Opening balance	539,476,853.86	11,495,273.34	17,258,000.00	568,230,127.20
Increase	79,624,276.86	1,740,440.27		81,364,717.13
1) Acquisition	58,692,147.61	1,740,440.27		60,432,587.88
2) Transferred in from investment property	20,932,129.25			20,932,129.25
Decrease				
Closing balance	619,101,130.72	13,235,713.61	17,258,000.00	649,594,844.33
Accumulated amortization				
Opening balance	98,172,978.28	5,133,469.47	17,258,000.00	120,564,447.75
Increase	19,698,809.02	2,299,951.97		21,998,760.99
1) Accrual	13,874,135.28	2,299,951.97		16,174,087.25
2) Transferred in from investment property	5,824,673.74			5,824,673.74
Decrease				
Closing balance	117,871,787.30	7,433,421.44	17,258,000.00	142,563,208.74
Carrying amount				
Closing balance	501,229,343.42	5,802,292.17		507,031,635.59
Opening balance	441,303,875.58	6,361,803.87		447,665,679.45

No intangible assets formed through internal research and development at the balance sheet date.

(2) No intangible assets with certificate of titles being unsettled at the balance sheet date.

19. Goodwill

(1) Details

Investees or events resulting in goodwill	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Ganzhou Xinsheng Rare Earth Industry Co., Ltd.				3,608,545.45	3,608,545.45	
Duchang Haoti Solar Power Generation Co., Ltd.	1.00		1.00	1.00		1.00
Total	1.00		1.00	3,608,546.45	3,608,545.45	1.00

(2) Cost

Investees or events resulting in goodwill	Opening balance	Increase due to business combination in the current period	Decrease	Closing balance
Ganzhou Xinsheng Rare Earth Industry Co., Ltd.	3,608,545.45		3,608,545.45	
Duchang Haoti Solar Power Generation Co., Ltd.	1.00			1.00
Total	3,608,546.45		3,608,545.45	1.00

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	191,213,205.65	29,286,449.07	202,093,529.00	24,786,671.10
Losses from changes in fair value of financial instruments	291,619,670.05	43,742,950.51	64,494,405.91	9,674,160.89
Lease liabilities	8,513,050.21	1,385,699.56		
Unrealized profit from internal transactions			148,892.41	22,333.86
Fixed assets not yet deducted before tax			1,136,418,291.02	170,462,743.65
Total	491,345,925.91	74,415,099.14	1,403,155,118.34	204,945,909.50

(2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
One-time pre-tax deduction of fixed assets	1,155,700,577.51	173,355,086.64	1,280,413,868.40	192,062,080.26
Gains from changes in fair value of financial instruments	3,123,637.97	468,545.70		
Right-of-use assets	8,512,650.04	1,313,947.97		
Total	1,167,336,865.52	175,137,580.31	1,280,413,868.40	192,062,080.26

(3) Deferred tax assets or liabilities after offset

Items	Closing balance		Opening balance	
	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset
Deferred tax assets	72,054,134.78	2,360,964.36		204,945,909.50
Deferred tax liabilities	72,054,134.78	103,083,445.53		192,062,080.26

(4) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	338,505,393.38	252,657,631.02
Deductible losses	203,290,419.85	110,472,719.65
Total	541,795,813.23	363,130,350.67

(5) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2023		6,144,180.09	
Year 2024	8,700,836.51	8,700,836.51	
Year 2025	21,735,809.84	21,877,287.94	
Year 2026	43,049,160.77	44,715,246.93	
Year 2027	29,035,168.18	29,035,168.18	
Year 2028	100,769,444.55		
Total	203,290,419.85	110,472,719.65	

21. Other non-current assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayments for land acquisition	9,618,598.67		9,618,598.67	30,838,509.00		30,838,509.00
Software under installation	455,785.60		455,785.60	1,662,525.65		1,662,525.65
Total	10,074,384.27		10,074,384.27	32,501,034.65		32,501,034.65

22. Assets with title or use right restrictions

(1) Details

1) Details on assets with restrictions at the balance sheet date

Items	Closing book balance	Closing carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	3,494,650,118.70	3,494,650,118.70	Please refer to section V (I) 22 (2) of notes to the financial statements for details.	Please refer to section V (I) 22 (2) of notes to the financial statements for details.
Notes receivable	13,118,755.87	12,462,818.08		Pledged for trade acceptance or endorsed but undue
Total	3,507,768,874.57	3,507,112,936.78		

2) Details on assets with restrictions at the opening of the period

Items	Opening book balance	Opening carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	1,578,041,145.17	1,578,041,145.17	Please refer to section V (I) 22 (2) of notes to the financial statements for details	Please refer to section V (I) 22 (2) of notes to the financial statements for details
Notes receivable	32,927,962.19	31,281,564.08		Pledged for trade acceptance or endorsed but undue
Receivables financing	309,900,000.00	309,900,000.00		Pledged for bank acceptance
Total	1,920,869,107.36	1,919,222,709.25		

(2) Other remarks

Items	Specific categories	Closing balance	Opening balance
Cash in bank	Balances frozen due to lawsuit	638,543.82	
Other cash and bank balances	Pledged time deposits and interest thereof	3,411,940,889.32	1,383,977,964.56
	Deposits for bank acceptance	30,570,916.66	122,190,567.40
	Deposits for letters of credit	44,896,695.89	
	Deposits for letters of guarantee	6,603,073.01	12,674,086.84
	Deposits for borrowings		59,198,526.37
Total		3,494,650,118.70	1,578,041,145.17

23. Short-term borrowings

(1) Details

Items	Closing balance	Opening balance
Notes discounted financing	1,453,095,500.00	681,161,774.80
Credit borrowings	753,256,965.80	748,590,832.98
Pledged borrowings	15,410,897.53	149,685,456.40
Total	2,221,763,363.33	1,579,438,064.18

(2) No balance overdue in the current period.

24. Held-for-trading financial liabilities

Items	Opening balance	Increase	Decrease	Closing balance
Held-for-trading financial liabilities	64,494,405.91	4,947,243.18	64,494,405.91	4,947,243.18
Including: Forward foreign exchange settlement	64,494,405.91	4,947,243.18	64,494,405.91	4,947,243.18
Total	64,494,405.91	4,947,243.18	64,494,405.91	4,947,243.18

25. Notes payable

(1) Details

Items	Closing balance	Opening balance
Bank acceptance	2,691,262,555.50	2,917,513,093.30
Total	2,691,262,555.50	2,917,513,093.30

(2) No notes payable due but unpaid at the balance sheet date.

26. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Payments for goods and labors	3,485,221,908.11	2,412,604,365.00
Payments for construction and equipment	1,427,124,974.26	1,101,066,804.28
Total	4,912,346,882.37	3,513,671,169.28

(2) No material closing balance with age over one year.

27. Advances received

(1) Details

Items	Closing balance	Opening balance
Lease payments	1,091,031.52	479,581.93
Total	1,091,031.52	479,581.93

(2) No material closing balance with age over one year.

28. Contract liabilities

(1) Details

Items	Closing balance	Opening balance
Payments for goods	236,538,713.88	484,068,287.51
Total	236,538,713.88	484,068,287.51

(2) No material closing balance with age over one year.

29. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	301,067,687.10	1,800,370,869.55	1,758,753,831.75	342,684,724.90
Post-employment benefits - defined contribution plan	9,776,947.92	132,928,351.27	125,682,165.43	17,023,133.76
Termination benefits		1,518,283.00	118,283.00	1,400,000.00
Total	310,844,635.02	1,934,817,503.82	1,884,554,280.18	361,107,858.66

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	288,609,430.38	1,622,969,727.84	1,583,618,868.71	327,960,289.51
Employee welfare fund	6,648,269.84	88,609,031.16	88,849,991.95	6,407,309.05
Social insurance premium	5,626,470.67	67,774,039.46	65,785,666.77	7,614,843.36
Including: Medicare premium	5,104,960.41	62,240,778.29	60,612,852.31	6,732,886.39
Occupational injuries premium	521,510.26	5,533,261.17	5,172,814.46	881,956.97
Housing provident fund		9,352,582.46	9,352,582.46	
Trade union fund and employee education fund	183,516.21	11,665,488.63	11,146,721.86	702,282.98
Subtotal	301,067,687.10	1,800,370,869.55	1,758,753,831.75	342,684,724.90

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	9,441,442.67	128,904,296.22	121,785,656.11	16,560,082.78
Unemployment insurance premium	335,505.25	4,024,055.05	3,896,509.32	463,050.98
Subtotal	9,776,947.92	132,928,351.27	125,682,165.43	17,023,133.76

30. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	52,976,373.88	61,073,390.39
Enterprise income tax	26,373,591.62	6,346,975.60
Housing property tax	10,275,374.93	7,132,550.45
Land use tax	9,322,306.13	9,090,839.65
Individual income tax withheld for tax authorities	6,850,209.48	1,517,327.58
Education surcharge	1,704,580.21	2,369,133.33
Local education surcharge	1,136,386.81	1,638,236.39
Urban maintenance and construction tax	406,764.35	1,740,553.82
Others	6,488,647.45	3,031,284.07
Total	115,534,234.86	93,940,291.28

31. Other payables

(1) Details

Items	Closing balance	Opening balance
Payments for equipment financing	689,750,155.63	320,181,662.30
Security deposits	105,629,726.19	109,955,543.10
Call loans [Note]	37,066,974.10	
Temporary receipts payable	11,040,557.10	5,040,463.64
Payments for equity transfer	9,945,394.49	9,989,378.15
Operating expenses and commissions payable	4,699,156.74	3,100,698.57
Property insurance payable	3,541,156.41	3,203,494.52
Others	6,150,113.23	7,997,520.80
Total	867,823,233.89	459,468,761.08

Note: It refers to call loans due to the related party Sundell Pte. Ltd. Please refer to section XI (II) 3 of note to the financial statements for details.

(2) No material closing balance with age over one year.

32. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Lease liabilities due within one year	1,371,623.49	2,017,816.57
Total	1,371,623.49	2,017,816.57

33. Other current liabilities

Items	Closing balance	Opening balance
Output VAT to be recognized	14,524,897.70	42,616,065.19
Endorsed but undue trade acceptance	13,118,755.87	13,574,588.14
Total	27,643,653.57	56,190,653.33

34. Long-term borrowings

Items	Closing balance	Opening balance
Credit borrowings	195,572,758.32	
Total	195,572,758.32	

35. Lease liabilities

Items	Closing balance	Opening balance
Housing rents	7,141,426.72	4,087,095.49
Total	7,141,426.72	4,087,095.49

36. Long-term payables

Items	Closing balance	Opening balance
Borrowings from Yibin Finance Bureau	7,857,200.00	7,857,200.00
Compensation to former employees for restructuring of state-owned enterprises and interest thereof	721,433.21	828,678.23
Total	8,578,633.21	8,685,878.23

37. Provisions

Items	Closing balance	Opening balance	Reasons for balance
Products quality guarantee	192,006,836.28	122,747,469.88	Warranty accrued based on sales amount of solar modules and lithium-ion batteries in the current period
Total	192,006,836.28	122,747,469.88	

38. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	28,781,500.00	274,340,300.00	243,661,800.00	59,460,000.00	Non-repayable government grants
Total	28,781,500.00	274,340,300.00	243,661,800.00	59,460,000.00	

39. Share capital

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Conversion of reserve to shares	Others	Subtotal	
Total shares	1,626,712,074						1,626,712,074

40. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Share premium		543,118.23		543,118.23
Total		543,118.23		543,118.23

(2) Other remarks

In August 2023, the Company transferred 15% of its equity in DMEGC Japan Corporation Limited, with the difference of 543,118.23 yuan between the transfer price of 3,900,000.00 yuan and the proportionate share in net assets of such entity included into capital reserve.

41. Treasury shares

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Treasury shares	210,001,648.89	2,778,792.43		212,780,441.32
Total	210,001,648.89	2,778,792.43		212,780,441.32

(2) Other remarks

Current increase was due to share repurchase. Pursuant to "Proposal on Share Repurchase Plan" deliberated and approved by the 22nd meeting of the eighth session of the Board of Directors, the Company repurchased its shares through centralized bidding transactions using self-owned funds, with the repurchase price not exceeding 20 yuan per share and the total repurchase amount not less than 150.00 million yuan and not exceeding 250.00 million yuan. As of December 31, 2023, the Company has repurchased 14,307,852 shares using self-owned funds of 212,780,441.32 yuan and the transaction price was within the range authorized by the Board of Directors.

42. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative						Closing balance
		Net OCI after tax					Less: OCI previously recognized but transferred to retained earnings in the current period (attributable to parent company after tax)	
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in the current period	Less: Income tax expenses	Attributable to parent company	Attributable to non-controlling shareholders		
Items not to be reclassified subsequently to profit or loss	39,300,000.00	28,900,000.00			28,900,000.00			68,200,000.00
Including: Changes in fair value of other equity instrument investments	39,300,000.00	28,900,000.00			28,900,000.00			68,200,000.00
Items to be reclassified subsequently to profit or loss	-2,642,906.23	-5,880,120.42			-3,620,387.42	-2,259,733.00		-6,263,293.65
Including: Translation reserves	-2,642,906.23	-5,880,120.42			-3,620,387.42	-2,259,733.00		-6,263,293.65
Total	36,657,093.77	23,019,879.58			25,279,612.58	-2,259,733.00		61,936,706.35

43. Surplus reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	755,721,839.23	54,128,851.10		809,850,690.33
Total	755,721,839.23	54,128,851.10		809,850,690.33

(2) Other remarks

Pursuant to the Articles of Association, statutory surplus reserve of 54,128,851.10 yuan was appropriated in 2023 subject to the limit of 50% of total share capital of the parent company.

44. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	5,541,041,420.01	4,420,540,804.75
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	5,541,041,420.01	4,420,540,804.75
Add: Net profit attributable to owners of the parent company	1,816,173,218.66	1,669,265,497.69
Less: Appropriation of statutory surplus reserve	54,128,851.10	158,354,487.41
Dividend payable on ordinary shares	583,741,646.42	390,410,395.02
Closing balance	6,719,344,141.15	5,541,041,420.01

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	19,563,649,024.33	15,516,879,837.87	19,304,694,890.55	15,936,474,330.27
Other operations	157,306,255.64	116,116,139.92	145,943,271.36	114,358,807.26
Total	19,720,955,279.97	15,632,995,977.79	19,450,638,161.91	16,050,833,137.53
Including: Revenue from contracts with customers	19,713,445,872.11	15,630,860,869.74	19,443,951,409.45	16,048,604,863.68

(2) Breakdown of revenue

1) Breakdown of revenue from contracts with customers by goods or services

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
PV products	12,777,341,138.82	10,067,518,258.34	12,592,573,895.18	10,721,147,446.83
Magnetic materials	3,740,343,776.45	2,749,536,697.77	4,203,950,982.71	3,207,665,498.32
Lithium-ion batteries	2,051,361,328.57	1,909,165,404.14	1,561,369,295.11	1,243,377,524.29
Components	742,569,662.01	573,251,166.21	720,697,317.94	572,888,949.75
Others	401,829,966.26	331,389,343.28	365,359,918.51	303,525,444.49
Subtotal	19,713,445,872.11	15,630,860,869.74	19,443,951,409.45	16,048,604,863.68

2) Breakdown of revenue from contracts with customers by operating regions

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Overseas	11,561,481,852.00	8,806,285,612.19	11,193,276,049.60	9,297,081,601.80
Domestic	8,151,964,020.11	6,824,575,257.55	8,250,675,359.85	6,751,523,261.88
Subtotal	19,713,445,872.11	15,630,860,869.74	19,443,951,409.45	16,048,604,863.68

3) Breakdown of revenue from contracts with customers by time of transferring goods or rendering services

Items	Current period cumulative	Preceding period comparative
Recognized at a point in time	19,713,445,872.11	19,443,951,409.45
Subtotal	19,713,445,872.11	19,443,951,409.45

(3) Contract liabilities with opening balance of 484,068,287.51 yuan were carried over to revenue in the current period.

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	30,120,316.02	10,046,562.53
Education surcharge	18,277,954.36	9,029,038.95
Local education surcharge	12,713,519.49	6,047,554.98
Stamp duty	19,298,169.84	10,248,819.33
Housing property tax	8,349,736.82	2,544,595.58
Land use tax	4,464,308.20	12,245,766.18
Others	203,458.73	270,722.65
Total	93,427,463.46	50,433,060.20

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Product quality guarantee	72,166,626.64	59,062,462.08
Operating expenses	70,186,025.39	79,590,739.05
Wages, welfare and insurances	58,472,816.56	56,617,366.45
Business travelling and entertainment expenses	22,810,669.01	17,012,428.81
Warehousing and packaging costs	17,241,603.88	18,187,644.45
Others	4,923,709.40	8,057,782.92
Total	245,801,450.88	238,528,423.76

4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Wages and welfare	342,148,650.05	280,469,092.23
Depreciation and amortization	83,123,728.18	80,877,438.72
Business travelling and entertainment expenses	45,769,001.49	33,671,785.20
Consultancy fees	37,444,245.21	27,587,366.02
Maintenance fees	14,521,769.49	16,307,497.35
Offices expenses	12,486,714.59	12,822,504.93
Inspection fees	7,384,237.34	3,427,894.25
Others	28,984,261.44	41,620,808.51
Total	571,862,607.79	496,784,387.21

5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Direct input materials	609,413,674.53	638,163,342.99
Personnel labor costs	151,885,730.48	153,480,136.47
Depreciation	107,171,411.51	142,879,542.55
Others	8,247,425.87	4,558,325.53
Total	876,718,242.39	939,081,347.54

6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest income	-213,955,473.33	-141,744,271.58
Gains or losses on foreign exchange	-110,646,491.66	-75,886,547.58
Interest expenses	60,543,613.97	53,282,559.71
Handling fees	12,309,093.35	15,388,667.31
Total	-251,749,257.67	-148,959,592.14

7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to income	144,482,640.01	124,060,348.83	143,299,151.95
Refund of handling fees for withholding individual income tax	5,928.22	30,354.89	
Extra deduction of VAT	6,413,708.83	243,582.25	
Total	150,902,277.06	124,334,285.97	143,299,151.95

8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	371,010.28	133,817.50
Investment income from disposal of long-term equity investments	579,980.34	
Losses on discounting of receivables financing	-2,375,446.34	-7,680,360.06
Investment income from forward foreign exchange settlement	-83,560,035.09	30,470,271.35
Dividend income from other equity instrument investments	560,000.00	400,000.00
Investment income from	14,719,053.86	29,936,334.76

Items	Current period cumulative	Preceding period comparative
financial management		
Total	-69,705,436.95	53,260,063.55

9. Gains on changes in fair value

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets	-283,548,788.90	-530,405.60
Including: Gains on changes in fair value of forward foreign exchange settlement	3,123,637.97	
Losses on changes in fair value of financial products [Note]	-286,249,999.99	
Losses on changes in fair value of shares	-422,426.88	-530,405.60
Held-for-trading financial liabilities	-4,947,243.18	-64,494,405.91
Including: Losses on changes in fair value of forward foreign exchange settlement	-4,947,243.18	-64,494,405.91
Total	-288,496,032.08	-65,024,811.51

Note: It refers to losses on changes in fair value of overdue trust financial products. Please refer to section XIV (II) of notes to the financial statements for details.

10. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	-13,949,957.83	2,745,410.85
Total	-13,949,957.83	2,745,410.85

11. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-58,743,053.08	-27,305,490.81
Impairment loss of fixed assets [Note]	-191,626,387.58	-143,079,702.77
Total	-250,369,440.66	-170,385,193.58

Note: Please refer to section V (I) 15 of notes to the financial statements for details.

12. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets	1,205,597.00	298,509.83	1,205,597.00
Total	1,205,597.00	298,509.83	1,205,597.00

13. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Default income	7,692,404.00	19,759,981.45	7,692,404.00
Gains on damage or retirement of non-current assets	931,865.32	639,760.49	931,865.32
Others	346,997.45	358,452.80	346,997.45
Total	8,971,266.77	20,758,194.74	8,971,266.77

14. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on damage or retirement of non-current assets	13,246,752.68	130,390,911.76	13,246,752.68
Local water construction funds	67,267.93	70,658.00	
Donation expenditures	80,000.00	70,000.00	80,000.00
Others	1,227,181.64	11,757.78	1,227,181.64
Total	14,621,202.25	130,543,327.54	14,553,934.32

15. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	136,286,526.62	10,077,772.01
Deferred income tax expenses	113,606,310.41	-18,809,526.01
Total	249,892,837.03	-8,731,754.00

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	2,075,835,866.39	1,659,380,530.12
Income tax expenses based on tax rate applicable to the parent company	311,375,379.96	248,907,079.52

Items	Current period cumulative	Preceding period comparative
Effect of different tax rate applicable to subsidiaries	30,816,231.81	5,627,557.54
Effect of prior income tax reconciliation	1,409,745.09	229,645.64
Effect of non-taxable income	-1,375,552.36	-309,873.92
Effect of non-deductible costs, expenses and losses	13,576,232.61	9,700,813.56
Effect of utilization of deductible losses not previously recognized as deferred tax assets	-7,675,040.71	-168,266.75
Effect of deducible temporary differences or deductible losses not recognized as deferred tax assets in the current period	19,525,503.07	32,660,705.06
Impact of extra deductions for R&D, acquisition of equipment and appliances	-117,759,662.44	-305,379,414.65
Income tax expenses	249,892,837.03	-8,731,754.00

16. Other comprehensive income, net of income tax

Please refer to section V (I) 42 of notes to the financial statements for details.

(III) Notes to items of the consolidated cash flow statement

1. No cash receipts or payments related to significant investing activities in the current period

2. Other cash receipts or payments related to operating activities, investing activities and financing activities

(1) Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Recovery of deposits for bank operations including notes, letters of guarantee, etc. and deposits	2,454,440,141.83	1,694,302,580.00
Performance bond, bid bond, etc.	146,943,939.02	182,712,491.44
Receipts of fiscal special subsidies related to income	141,317,151.95	123,950,486.89
Interest income of deposits on demand and deposits for acceptance bills	129,372,749.74	85,948,177.95
Receipts of fiscal special subsidies related to assets	271,132,300.00	72,810,700.00
Receipts of rents	8,208,139.28	5,879,664.31
Others	4,669,611.20	1,373,837.07
Total	3,156,084,033.02	2,166,977,937.66

(2) Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Deposits for bank operations including notes, letters of guarantee, etc. and deposits	3,534,530,129.76	2,577,701,896.59
Transportation and handling fees	451,269,626.68	981,111,437.95
Payments for performance bond, bid bond, etc.	146,874,577.08	128,431,338.46
Operating expenses	70,186,025.39	79,590,739.05
Business travelling and entertainment expenses	68,579,670.50	50,684,214.01
Consultancy fees	37,444,245.21	27,587,366.02
Warehousing and packaging costs	17,241,603.88	18,187,644.45
Financial handling fees	12,309,093.35	15,388,667.31
Offices expenses	12,486,714.59	12,822,504.93
Sewage, inspection and certification fees	7,384,237.34	3,427,894.25
Others	62,139,963.48	46,360,572.82
Total	4,420,445,887.26	3,941,294,275.84

(3) Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Recovery of principal and interest on time deposits for investment purposes	1,051,193,876.58	835,069,059.74
Total	1,051,193,876.58	835,069,059.74

(4) Other cash payments related to investing activities

Items	Current period cumulative	Preceding period comparative
Time deposits for investment purposes	890,000,000.00	
Total	890,000,000.00	

(5) Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Receipts from financing discounting of trade acceptance	2,133,609,618.26	1,342,381,672.58
Recovery of deposits for bank financing purposes	59,198,526.37	
Borrowings from Sundell Pte. Ltd. received by the sub-subsidiary DMEGC Investment Pte. Ltd.	36,585,900.83	
Receipts of equity transfer payments from non-controlling	3,900,000.00	

Items	Current period cumulative	Preceding period comparative
shareholders		
Receipts of payments for equipment financing		100,000.00
Total	2,233,294,045.46	1,342,481,672.58

(6) Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Payments for due discounted notes	1,399,490,000.00	1,127,463,000.00
Payments for principal and interest on equipment financing	881,667,218.69	381,371,900.78
Share repurchase	2,778,792.43	210,001,648.89
Deposits for bank financing purposes	44,000,000.00	59,198,526.37
Payments for acquisition of non-controlling interest		20,000,000.00
Payments for long-term leases	2,474,510.42	2,600,975.41
Return of fiscal interest subvention		1,012,000.00
Total	2,330,410,521.54	1,801,648,051.45

3. Supplementary information to the cash flow statement

Supplementary information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,825,943,029.36	1,668,112,284.12
Add: Provision for assets impairment	264,319,398.49	167,639,782.73
Depreciation of fixed assets, oil and gas assets, productive biological assets	543,563,908.60	447,906,072.81
Depreciation of right-of-use assets	2,658,609.08	2,181,341.05
Amortization of intangible assets	16,608,893.33	13,477,048.32
Amortization of long-term prepayments		4,710.44
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-1,205,597.00	-298,509.83
Fixed assets retirement loss (Less: gains)	12,314,887.36	129,751,151.27
Losses on changes in fair value (Less: gains)	288,496,032.08	65,024,811.51
Financial expenses (Less: gains)	-62,014,569.61	-71,275,476.97
Investment losses (Less: gains)	-16,230,044.48	-60,940,423.61
Decrease of deferred tax assets (Less: increase)	202,584,945.14	-181,561,404.81
Increase of deferred tax liabilities (Less: decrease)	-88,978,634.73	162,751,878.80
Decrease of inventories (Less: increase)	22,688,964.07	-319,851,078.17
Decrease of operating receivables (Less:	-298,287,813.69	-1,269,975,902.13

Supplementary information	Current period cumulative	Preceding period comparative
increase)		
Increase of operating payables (Less: decrease)	1,181,606,739.01	2,133,601,183.66
Others		
Net cash flows from operating activities	3,894,068,747.01	2,886,547,469.19
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	5,190,044,057.56	2,648,394,342.65
Less: Cash at the beginning of the period	2,648,394,342.65	602,436,762.41
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	2,541,649,714.91	2,045,957,580.24

4. Composition of cash and cash equivalents

(1) Details

Items	Closing balance	Opening balance
1) Cash	5,190,044,057.56	2,648,394,342.65
Including: Cash on hand	135,825.16	319,750.44
Cash in bank on demand for payment	5,189,904,307.92	2,648,067,624.52
Other cash and bank balances on demand for payment	3,924.48	6,967.69
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	5,190,044,057.56	2,648,394,342.65
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

(2) Cash and bank balances not considered as cash and cash equivalents

Items	Closing balance	Opening balance	Reasons for not considered as cash and cash equivalents
Time deposits and interest thereof	500,405,961.64	1,316,286,151.27	There are situations such as balances pledged or frozen that cannot be withdrawn on demand.
Pledged time deposits and interest thereof	3,411,940,889.32	1,495,787,896.07	

Items	Closing balance	Opening balance	Reasons for not considered as cash and cash equivalents
Deposits for notes	30,570,916.66	122,190,567.40	
Deposits for letters of guarantee	6,603,073.01	12,674,086.84	
Deposits for borrowings		59,198,526.37	
Deposits for letters of credit	44,896,695.89		
Cash in bank frozen	638,543.82		
Subtotal	3,995,056,080.34	3,006,137,227.95	

5. Changes in liabilities related to financing activities

Items	Opening balance	Increase		Decrease		Closing balance
		Changes in cash	Changes in non-cash	Changes in cash	Changes in non-cash	
Short-term borrowings	1,579,438,064.18	3,715,780,427.26	46,532,322.39	3,119,987,450.50		2,221,763,363.33
Long-term borrowings (including long-term borrowings due within one year)		195,469,460.00	5,072,566.37	4,969,268.05		195,572,758.32
Lease liabilities (including lease liabilities due within one year)	6,104,912.06		4,882,648.57	2,474,510.42		8,513,050.21
Subtotal	1,585,542,976.24	3,911,249,887.26	56,487,537.33	3,127,431,228.97		2,425,849,171.86

(IV) Others

1. Monetary items in foreign currencies

(1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
Cash and bank balances			
Including: USD	29,970,083.08	7.0827	212,269,107.43
EUR	7,917,305.3	7.8592	62,223,685.81
HKD	107,754.85	0.9062	97,649.60
JPY	5,457,723,624.00	0.0502	274,048,676.33
INR	89,690,446.91	0.0851	7,636,783.10
VND	88,317,500,000.00	0.0003	25,794,901.33
IDR	43,473,379,098.35	0.0005	20,030,861.39
KRW	404,000.00	0.0055	2,227.61
Accounts receivable			
Including: USD	50,281,784.10	7.0827	356,130,792.25
EUR	33,764,542.69	7.8592	265,362,293.91
JPY	1,208,033,642.00	0.0502	60,643,288.83

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
Other receivables			
Including: JPY	3,278,048.00	0.0502	164,558.01
EUR	50,798.42	7.8592	399,234.94
Accounts payable			
Including: EUR	4,352,242.53	7.8592	34,205,144.52
JPY	22,899,981,548.80	0.0502	1,149,579,073.75
INR	377,073.68	0.0851	32,088.97
Other payables			
Including: USD	5,232,846.85	7.0827	37,066,974.10
EUR	7,985.14	7.8592	62,756.81

(2) Remarks on foreign operations of subsidiaries

1) The subsidiary DMEGC Germany GmbH is located in Germany and the functional currency of the financial statements is EUR. As all operating revenues of DMEGC Germany GmbH come from Europe and its product prices are generally settled in EUR, which is mainly affected by EUR, EUR is adopted as the functional currency.

2) The subsidiary DMEGC Japan Corporation Limited is located in Japan and the functional currency of the financial statements is JPY. As all operating revenues of DMEGC Japan Corporation Limited come from Japan and its product prices are generally settled in JPY, which is mainly affected by JPY, JPY is adopted as the functional currency.

3) The subsidiary Hengdian Group DMEGC Magnetics (HK) Limited is located in Hong Kong and the functional currency of the financial statements is HKD. As Hengdian Group DMEGC Magnetics (HK) Limited's daily business receipts and payments are generally settled in HKD and are mainly affected by HKD, HKD is adopted as the functional currency.

4) The subsidiary DMEGC Renewable Energy B.V. is located in the Netherland and the functional currency of the financial statements is EUR. Aa all operating revenues of DMEGC Renewable Energy B.V. come from Europe and its product prices are generally settled in EUR, which is mainly affected by EUR, EUR is adopted as the functional currency.

5) The subsidiary Hengdian Group Magnetics (Vietnam) Company Limited is located in Vietnam and the functional currency of the financial statements is VND. As all operating revenues of Hengdian Group Magnetics (Vietnam) Company Limited come from Vietnam and its product prices are generally settled in VND, which is mainly affected by VND, VND is adopted as the functional currency.

VI. R&D costs

Items	Current period cumulative	Preceding period comparative
Direct input costs	609,413,674.53	638,163,342.99
Personnel costs	151,885,730.48	153,480,136.47
Depreciation	107,171,411.51	142,879,542.55
Others	8,247,425.87	4,558,325.53
Total	876,718,242.39	939,081,347.54
Including: R&D costs to be expensed	876,718,242.39	939,081,347.54
R&D costs to be capitalized		

VII. Interest in other entities

(I) Composition of the consolidation scope

1. The Company has brought 28 subsidiaries including Zhejiang Dongyang DMEGC Chengji Electronics Co., Ltd., Qixian DMEGC Magnetic Material Co., Ltd., Qixian DMEGC New Energy Co., Ltd., Yibin Jinchuan Electronics Co., Ltd., DMEGC Germany GmbH and DMEGC Japan Corporation Limited into the consolidation scope.

2. The Company has no significant subsidiaries in the current period.

(II) Disposal of subsidiaries

One-time disposal leading to loss of control over a subsidiary

Subsidiaries	Equity disposal consideration	Equity disposal proportion (%)	Equity disposal method	Loss of control date	Determination basis for loss of control date	Difference between disposal consideration and net assets attributable to the Company at the consolidated financial statements level
Ganzhou Xinsheng Rare Earth Industry Co., Ltd.	580,000.00	100.00	Transfer	June 2023	The transferee implements control over the subsidiary	579,980.34

(Continued)

Subsidiaries	Proportion of remaining equity at the loss of control date	Carrying amount of remaining equity at the loss of control date	Fair value of remaining equity at the loss of control date	Gains/Losses on fair value remeasurement of remaining equity	Determination method and major assumption on fair value of remaining equity at the loss of control date	Changes in other comprehensive income/equity related to former subsidiary's equity investment transferred to investment income
Ganzhou Xinsheng Rare Earth Industry Co., Ltd.						

(III) Changes in the consolidation scope due to other reasons

1. Entities brought into the consolidation scope

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Holding proportion (%)
Lianyungang DMEGC New Energy Technology Co., Ltd.	Establishment	August 2023	100.00 million	100.00
Dongyang Hengfeng New Energy Technology Co., Ltd.	Establishment	August 2023	20.00 million	100.00
Hengdian Group DMEGC Magnetics (Vietnam) Company Limited	Establishment	October 2023	VND 9,475,8.30 million	80.10
DMEGC Renewable Energy Australia Pty Ltd.	Establishment	September 2023	Not yet funded	100.00
Lianyungang Ganyu Donggan New Energy Co., Ltd.	Establishment	November 2023	Not yet funded	100.00
Lianyungang Ganyu Dongwang New Energy Co., Ltd.	Establishment	April 2023	Not yet funded	100.00

2. Entities excluded from the consolidation scope

Entities	Equity disposal method	Equity disposal date	Disposal-date net assets	Net profit from the period beginning to the disposal date
Ganzhou Xinsheng Rare Earth Industry Co., Ltd.	Transfer	June 2023	19.66	689,065.03

(IV) Transactions resulting in changes in subsidiaries' equity but without losing control

1. Changes in subsidiaries' equity

Subsidiaries	Date of change	Holding proportion before change (%)	Holding proportion after change (%)
DMEGC Japan Corporation Limited	August 2023	100	85

2. Effect of transactions on non-controlling interest and equity attributable to parent company

Items	DMEGC Japan Corporation Limited
Acquisition costs/Disposal considerations	
Cash	3,900,000.00
Total acquisition costs/ disposal considerations	3,900,000.00
Less: Share in subsidiaries' net assets based on acquired/disposed net assets proportion	3,356,881.77
Balance	

Items	DMEGC Japan Corporation Limited
Including: Capital reserve adjusted	543,118.23

(V) Interest in joint ventures or associates

1. Aggregated financial information of insignificant joint ventures and associates

Items	Closing balance/Current period cumulative	Opening balance/Preceding period comparative
Joint ventures		
Total carrying amount of investments	68,268,992.66	62,997,982.38
Proportionate shares in the following items		
Net profit	371,010.28	133,817.50
Other comprehensive income		
Total comprehensive income	371,010.28	133,817.50
Associates		
Total carrying amount of investments	0.00	0.00
Proportionate shares in the following items		
Net profit	0.00	0.00
Other comprehensive income	0.00	0.00
Total comprehensive income	0.00	0.00

2. Excess losses incurred by joint ventures or associates

Joint ventures or associates	Accumulated unrecognized losses in prior periods	Unrecognized losses in the current period (net profit shared in the current period)	Unrecognized losses at the balance sheet date
Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.	-1,613,392.66		-1,613,392.66

VIII. Government grants

(I) Government grants increased in the current period

Items	Amount
Government grants related to assets	
Including: Included into deferred income	59,460,000.00
Offsetting fixed assets	211,672,300.00
Government grants related to income	
Including: Included into other income	142,500,640.01
Total	413,632,940.01

(II) Liabilities related to government grants

Items	Opening balance	Increase	Amount included into other income	Amount included into non-operating revenue
Deferred income	26,507,500.00	271,132,300.00		
Deferred income	2,274,000.00	3,208,000.00	5,190,000.00	
Subtotal	28,781,500.00	274,340,300.00	5,190,000.00	

(Continued)

Items	Amount offsetting costs	Amount offsetting assets	Other changes [Note]	Closing balance	Related to assets/Related to income
Deferred income		235,379,800.00	-2,800,000.00	59,460,000.00	Related to assets
Deferred income			-292,000.00		Related to income
Subtotal		235,379,800.00	-3,092,000.00	59,460,000.00	

Note: Other changes refer to the transfer of subsidies attributable to other cooperative R&D units, which were received by the Company in the previous period.

(III) Government grants included into profit or loss

Items	Current period cumulative	Preceding period comparative
Government grants included into other income	144,482,640.01	124,060,348.83
Decrease of depreciation and amortization of assets corresponding to government grants related to assets under net method	79,008,699.97	60,923,875.47
Total	223,491,339.98	184,984,224.30

IX. Risks related to financial instruments

In risk management, the Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company’s financial performance, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Management has deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;

2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

(2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

1) significant financial difficulty of the debtor;

2) a breach of binding clause of contract;

3) it is very likely 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, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss given default, and exposure to default risk. The Company develops a model of the probability of default, loss given default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g., counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V (I) 3, 4, 7, 9 and 11 of notes to the financial statements for details on the reconciliation table of opening balance and closing balance of provision for losses of financial

instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables and contract assets

The Company performs credit assessment on customers using credit settlement on a regular basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

As the Company's credit risks fall into several business partners and customers, as of December 31, 2023, 22.64% (December 31, 2022: 19.11%) of the total accounts receivable and contract assets was due from the five largest customers of the Company. The Company has no significant central credit risk.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparties of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company comprehensively utilizes financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Financial liabilities classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	2,221,763,363.33	2,228,873,995.18	2,228,873,995.18		
Held-for-trading financial liabilities	4,947,243.18	4,947,243.18	4,947,243.18		
Notes payable	2,691,262,555.50	2,691,262,555.50	2,691,262,555.50		

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Accounts payable	4,912,346,882.37	4,912,346,882.37	4,912,346,882.37		
Other payables	867,823,233.89	867,823,233.89	867,823,233.89		
Non-current liabilities due within one year	1,371,623.49	1,681,586.06	1,681,586.06		
Lease liabilities	7,141,426.72	8,127,993.53		1,388,145.60	6,739,847.93
Long-term payables	8,578,633.21	8,578,633.21			8,578,633.21
Long-term borrowings	195,572,758.32	220,002,097.06	6,445,196.36	12,666,421.01	200,890,479.69
Subtotal	10,910,807,720.01	10,943,644,219.98	10,713,380,692.54	14,054,566.61	216,208,960.83

(Continued)

Items	December 31, 2022				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	1,579,438,064.18	1,608,756,503.56	1,608,756,503.56		
Held-for-trading financial liabilities	64,494,405.91	64,494,405.91	64,494,405.91		
Notes payable	2,917,513,093.30	2,917,513,093.30	2,917,513,093.30		
Accounts payable	3,513,671,169.28	3,513,671,169.28	3,513,671,169.28		
Other payables	459,468,761.08	459,468,761.08	459,468,761.08		
Non-current liabilities due within one year	2,017,816.57	2,155,690.82	2,155,690.82		
Lease liabilities	4,087,095.49	4,751,845.64		4,751,845.64	
Long-term payables	8,685,878.23	8,685,878.23			8,685,878.23
Subtotal	8,549,376,284.04	8,579,497,347.82	8,566,059,623.95	4,751,845.64	8,685,878.23

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market price. Market risk mainly includes interest risk and foreign currency risk.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market interest rates. The Company’s fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring.

As of December 31, 2023, as the Company does not have any borrowings with interests accrued at a certain percentage plus the national benchmark rate of loans of the same grade for the same period, the Company's gross profit and equity will not be significantly affected.

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to section V (V) 1 of notes to the financial statements for details on foreign currency financial assets and liabilities at the end of the period.

X. Fair value disclosure

(I) Details of fair value of assets and liabilities at fair value at the balance sheet date

Items	Fair value as at the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Recurring fair value measurement				
1. Held-for-trading financial assets	983,462.58	3,123,637.97		4,107,100.55
2. Receivables financing			340,977,403.23	340,977,403.23
3. Other equity instrument investments	120,000,000.00		26,030,000.00	146,030,000.00
Total assets at recurring fair value measurement	120,983,462.58	3,123,637.97	367,007,403.23	491,114,503.78
4. Held-for-trading liabilities		4,947,243.18		4,947,243.18
Total liabilities at recurring fair value measurement		4,947,243.18		4,947,243.18

(II) Basis for determining level 1 fair value at recurring and non-recurring fair value measurement

As the shares of the investees Nanhua Futures Co., Ltd. and Zotye Automobile Co., Ltd. have been listed and traded on the A-share market, unadjusted quoted prices can be obtained in the open market on a continuous basis, the Company takes open market price as the fair value.

(III) Qualitative and quantitative information of valuation technique(s) and key input(s) for level 2 fair value at recurring and non-recurring fair value measurement

For forward foreign exchange settlement business, the fair value is measured based on the valuation statement of forward foreign exchange settlement provided by the bank at the balance sheet date.

(IV) Qualitative and quantitative information of valuation technique(s) and key input(s) for level 3 fair value at recurring and non-recurring fair value measurement

1. For the notes receivable, the fair value is determined based on the par value.

2. For other equity instrument investments, as the operating environment and conditions, financial position and external valuation of the investees including Ningbo Magnetic Material Application Technology Innovation Center Co., Ltd. and Jiangsu JITRI Advanced Energy Materials Research Institute Co., Ltd. have not changed significantly, the investment cost is used as a reasonable estimate of fair value.

XI. Related party relationships and transactions

(I) Related party relationships

1. Parent company

(1) Details

Parent company	Place of registration	Business nature	Registered capital (in ten thousand yuan)	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
Dongyang Hengdian Association of Economic Enterprises	Hengdian Group Building, Wansheng South Street, Hengdian Town, Dongyang city	Others	140,000.00		
Hengdian Group Holdings Limited	42 Wansheng Street, Hengdian Town, Dongyang City, Zhejiang Province	Investment	500,000.00	50.59	50.59

Remarks on the parent company

Though Dongyang Hengdian Association of Economic Enterprises does not directly hold the Company’s equity, it holds 51.00% of equity of Hengdian Group Holdings Limited, the Company’s parent company, at the balance sheet date, it becomes a related party controlling the Company.

(2) The Company’s ultimate controlling party is Dongyang Hengdian Association of Economic Enterprises.

2. Please refer to section VII of notes to the financial statements for details on the Company’s subsidiaries.

3. Joint ventures and associates of the Company

Please refer to section VII of notes to the financial statements for details on the Company’s significant joint ventures and associates. Details of other joint ventures or associates carrying out related party transactions with the Company in the current period or in preceding period but with balance in the current period are as follows:

Joint ventures or associates	Relationships with the Company
Dongyang Chanfa Photovoltaic Technology Co., Ltd.	Joint venture
Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.	Associate

4. Other related parties of the Company

Related parties	Relationships with the Company
Dongyang Hengdian Sewage Treatment Co., Ltd.	Subsidiary of the parent company
Dongyang Hengdian Water Supply Co., Ltd.	Subsidiary of the parent company
Dongyang Gas Co., Ltd.	Subsidiary of the parent company
Hengdian Group Tospo Lighting Co., Ltd.	Subsidiary of the parent company
Hengdian Group DMEGC Magnetics Co., Ltd.	Subsidiary of the parent company
Hengdian Wenrong Hospital	Subsidiary of the parent company
Hengdian Entertainment Co., Ltd.	Subsidiary of the parent company
Apeloa Pharmaceutical Co., Ltd.	Subsidiary of the parent company
Nanhua Futures Co., Ltd.	Subsidiary of the parent company
Zhejiang Avilive Chemical Co., Ltd.	Subsidiary of the parent company
Zhejiang Haludo Commercial & Trade Co., Ltd.	Subsidiary of the parent company
Zhejiang Dongheng Construction Engineering Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang Hengdian World Studios Co., Ltd.	Subsidiary of the parent company
Zhejiang Xinna Material Science and Technology Co., Ltd.	Subsidiary of the parent company
Zhejiang Hengdian Omnimedia Technology Co., Ltd.	Subsidiary of the parent company
Zhejiang Hengdian Film Industrial Park Service Co., Ltd.	Subsidiary of the parent company
Dongyang Hengdian Car Transport Co., Ltd.	Sub-subsidiary of the parent company
Dongyang Hengdian Commodity Trading Co., Ltd.	Sub-subsidiary of the parent company
Dongyang Hengdian World Studios Tourism Marketing Co., Ltd.	Sub-subsidiary of the parent company
Dongyang Hengdian World Studios Agricultural Products Wholesale Co., Ltd.	Sub-subsidiary of the parent company
Dongyang Hengdian Yushan Sports Leisure Co., Ltd.	Subsidiary of the parent company
Zhejiang Trefan Technology Co., Ltd.	Subsidiary of the parent company
Zhejiang Hengdian Imp. & Exp. Co., Ltd.	Subsidiary of the parent company
Zhejiang Hengdian Airport Co., Ltd.	Subsidiary of the parent company
Dongyang Sanhe Hydropower Installation Co., Ltd.	Sub-subsidiary of the parent company
Ganzhou DMEGC Rare Earth Co., Ltd.	Sub-subsidiary of the parent company
Hengdian Group Tospo Engineering Plastics Co., Ltd.	Subsidiary of the parent company
Hengdian Group Tospo Public Lighting Co., Ltd.	Sub-subsidiary of the parent company
Hengdian Group Zhejiang DMEGC Real Estate Development Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang Hengdian Tospo Imp. & Exp. Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang Hengdian Innuovo Imp. & Exp. Co., Ltd.	Sub-subsidiary of the parent

Related parties	Relationships with the Company
	company
Zhejiang Linix Motor Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang Apeloa Tospo Pharmaceutical Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang GBF Basalt Fiber Co., Ltd.	Subsidiary of the parent company
Zhejiang Xinna New Ceramic Materials Co., Ltd.	Sub-subsidiary of the parent company
ZheJiang Innuovo Magnetics Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang Apeloa Pharmaceutical Sales Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang Hengdian Apeloa Imp. & Exp. Co., Ltd.	Sub-subsidiary of the parent company
Dongyang Hengdian World Studios World Trade Mansion Co., Ltd.	Sub-subsidiary of the parent company
Dongyang Hengdian World Studios International Travel Agency Co., Ltd.	Sub-subsidiary of the parent company
Dongyang Hengdian World Studios Cultural and Creative Development Co., Ltd.	Sub-subsidiary of the parent company
Ruijin Tospo Lighting Co., Ltd.	Sub-subsidiary of the parent company
Ruijin Trefan Technology Co., Ltd.	Sub-subsidiary of the parent company
Nanhua Asset Management SG Pte. Ltd.	Sub-subsidiary of the sister company
Zhejiang Dongyang DMEGC Rare Earth Co., Ltd.	Sub-subsidiary of the sister company
Zhejiang Innuovo Rehabilitation Devices Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang Innuovo New Energy Technology Co., Ltd.	Sub-subsidiary of the parent company
Zhejiang Hengdian City Public Service Co., Ltd.	Other entity with significant influence exerted by controlling shareholder and actual controller
Zhejiang Hengdian Thermal Electricity Co., Ltd.	Other entity with significant influence exerted by controlling shareholder and actual controller
Zhejiang Hengdian New Energy Technology Co., Ltd.	Other entity with significant influence exerted by controlling shareholder and actual controller
Zhejiang Toda DMEGC Magnetics Co., Ltd.	Joint venture of the sister company
Zhejiang Beiluofu Biotechnology Co., Ltd.	The Company’s director serves as its director
Ningbo Magnetic Material Application Technology Innovation Center Co., Ltd.	Investee
Sundell Pte. Ltd.	Under control of controlling shareholder
HG Japan Co., Ltd.	Under control of controlling shareholder
Zhejiang Dongyang Gas Engineering Construction Co., Ltd.	Sub-subsidiary of the parent company

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving of services

(1) Details

1) Purchase of goods and receiving of services

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Dongyang Gas Co., Ltd.	Raw materials	93,505,496.42	116,651,160.82
Zhejiang Dongyang DMEGC Rare Earth Co., Ltd.	Raw materials	54,745,093.34	323,271,324.50
Zhejiang Hengdian Thermal Electricity Co., Ltd.	Electricity and steam	37,712,351.38	26,118,730.40
Dongyang Hengdian Commodity Trading Co., Ltd.	Raw materials and equipment	31,519,393.29	12,121,614.70
Dongyang Hengdian World Studios Agricultural Products Wholesale Co., Ltd.	Raw materials	13,788,091.75	12,734,247.60
Dongyang Hengdian Water Supply Co., Ltd.	Water	13,742,714.20	14,755,792.36
Zhejiang Toda DMEGC Magnetics Co., Ltd.	Raw materials	7,964,501.61	7,993,079.15
Dongyang Hengdian Sewage Treatment Co., Ltd.	Receiving of services	7,526,111.83	5,783,722.08
Ningbo Magnetic Material Application Technology Innovation Center Co., Ltd.	Receiving of services	5,957,334.28	
Zhejiang Hengdian World Studios Co., Ltd.	Receiving of services	3,897,597.38	598,780.67
Hengdian Wenrong Hospital	Receiving of services	1,388,974.69	5,285,946.11
Zhejiang Hengdian Omnimedia Technology Co., Ltd.	Receiving of services	600,334.35	289,180.09
Ganzhou DMEGC Rare Earth Co., Ltd.	Raw materials	359,658.05	470,757.36
Hengdian Group Tospo Public Lighting Co., Ltd.	Equipment	278,804.29	
Zhejiang Haludo Commercial & Trade Co., Ltd.	Raw materials	218,002.00	396,978.06
Hengdian Group Holdings Limited	Services and equipment	165,404.71	
Hengdian Group DMEGC Magnetics Co., Ltd.	Raw materials	134,709.48	
ZheJiang Innuovo Magnetics Co., Ltd.	Raw materials	134,509.49	4,216,452.67
Dongyang Hengdian Car Transport Co., Ltd.	Receiving of services	109,044.94	277,341.73
Dongyang Hengdian Yushan Sports Leisure Co., Ltd.	Receiving of services	29,016.00	22,956.00
Hengdian Group Tospo Engineering Plastics Co., Ltd.	Raw materials	26,769.91	103,716.82
Dongyang Hengdian World Studios International Travel Agency Co., Ltd.	Receiving of services	16,003.00	

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Zhejiang Dongyang Gas Engineering Construction Co., Ltd.	Raw materials	7,238.53	
Dongyang Hengdian World Studios Cultural and Creative Development Co., Ltd.	Raw materials	1,699.12	
Zhejiang Beiluofu Biotechnology Co., Ltd.	Raw materials		462,482.39
Dongyang Hengdian World Studios Tourism Marketing Co., Ltd.	Tickets		67,425.74
Hengdian Group Tospo Lighting Co., Ltd.	Raw materials		46,764.70
Zhejiang Apeloa Tospo Pharmaceutical Co., Ltd.	Raw materials		43,400.00
Zhejiang Apeloa Pharmaceutical Sales Co., Ltd.	Raw materials		31,646.02
Dongyang Hengdian World Studios World Trade Mansion Co., Ltd.	Receiving of services		8,458.75
Hengdian Entertainment Co., Ltd.	Services and tickets		4,020.00

2) Sale of goods and rendering of services

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Zhejiang Innuovo Rehabilitation Devices Co., Ltd.	Sale of goods	11,722,047.79	4,033,026.90
Zhejiang Toda DMEGC Magnetics Co., Ltd.	Sale of goods	6,759,577.86	6,682,872.96
Zhejiang Dongyang DMEGC Rare Earth Co., Ltd.	Sale of goods	6,474,562.39	4,248,469.90
Ruijin Tospo Lighting Co., Ltd.	Sale of goods	4,415,789.38	
Zhejiang Hengdian Innuovo Imp. & Exp. Co., Ltd.	Sale of goods	4,369,808.88	4,161,926.26
Zhejiang Linix Motor Co., Ltd.	Sale of goods	1,336,431.49	1,779,234.33
Ruijin Trefan Technology Co., Ltd.	Sale of goods	1,271,906.85	
Hengdian Group Tospo Lighting Co., Ltd.	Sale of goods	947,974.78	25,887.84
Zhejiang Trefan Technology Co., Ltd.	Sale of goods	876,505.36	
Zhejiang Xinna New Ceramic Materials Co., Ltd.	Sale of goods	637,168.14	1,088,495.58
Hengdian Group DMEGC Magnetics Co., Ltd.	Sale of goods	558,825.79	725,507.04
Dongyang Sanhe Hydropower Installation Co., Ltd.	Sale of goods	74,287.93	37,076.99

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Hengdian Wenrong Hospital	Sale of goods	60,860.29	1,287,219.60
Zhejiang Xinna Material Science and Technology Co., Ltd.	Sale of goods	30,969.03	
Zhejiang Hengdian New Energy Technology Co., Ltd.	Sale of goods and rendering of services	25,471.71	25,471.71
Hengdian Group Zhejiang DMEGC Real Estate Development Co., Ltd.	Sale of goods	18,372.28	3,172.57
Zhejiang Innuovo New Energy Technology Co., Ltd.	Sale of goods	16,759.29	20,607.08
Hengdian Group Holdings Limited	Sale of goods	7,447.17	14,729.20
Ganzhou DMEGC Rare Earth Co., Ltd.	Sale of goods	7,433.96	
Zhejiang Hengdian Imp. & Exp. Co., Ltd.	Sale of goods	7,402.41	
Hengdian Group Tospo Engineering Plastics Co., Ltd.	Sale of goods		106,557.52
Zhejiang Dongheng Construction Engineering Co., Ltd.	Sale of goods		31,065.38
ZheJiang Innuovo Magnetics Co., Ltd.	Sale of goods		21,720.62
Apeloa Pharmaceutical Co., Ltd.	Sale of goods		16,163.72
Zhejiang Hengdian Film Industrial Park Service Co., Ltd.	Sale of goods		8,734.51
Zhejiang Hengdian World Studios Co., Ltd.	Sale of goods		2,025.00
Dongyang Gas Co., Ltd.	Sale of goods		1,039.82
Hengdian Group Tospo Public Lighting Co., Ltd.	Sale of goods		725.66
Dongyang Hengdian Sewage Treatment Co., Ltd.	Sale of goods		716.81
Zhejiang Hengdian Thermal Electricity Co., Ltd.	Sale of goods		517.70
Dongyang Hengdian World Studios Tourism Marketing Co., Ltd.	Sale of goods		210.00
Hengdian Group Holdings Limited, etc. [Note]	Rendering of services	3,202,858.68	2,920,784.13

Note: As the hotels independently operated by the Company would provide hotel catering services to Hengdian Group Holdings Limited and other related parties, which involve a large number of related parties with small amount for each transaction, relevant information is disclosed in aggregate.

2. Related party leases

(1) Details

1) The Company as the lessor

Lessees	Types of assets leased	Lease income for the current period	Lease income for the preceding period
Zhejiang Dongyang DMEGC Rare Earth Co., Ltd.	Real estate	1,964,091.74	1,964,091.74
Hengdian Group DMEGC Magnetics Co., Ltd.	Real estate	525,586.88	693,338.04
Dongyang Sanhe Hydropower Installation Co., Ltd.	Real estate	82,230.61	

2) The Company as the lessee

Lessors	Types of assets leased	Current period cumulative			
		Expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities	Lease with right-of-use assets recognized		
			Lease expenses paid (excluding variable lease payments not included in the measurement of lease liabilities)	Increased principal of lease liabilities	Interest expenses recognized
Ganzhou DMEGC Rare Earth Co., Ltd.	Real estate	961,711.32			
Dongyang Hengdian Commodity Trading Co., Ltd.	Real estate	44,150.94			

(Continued)

Lessors	Types of assets leased	Preceding period comparative			
		Expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities	Lease with right-of-use assets recognized		
			Lease expenses paid (excluding variable lease payments not included in the measurement of lease liabilities)	Increased principal of lease liabilities	Interest expenses recognized
Ganzhou DMEGC Rare Earth Co., Ltd.	Real estate	961,711.32			
Dongyang Hengdian Commodity Trading Co., Ltd.	Real estate	353,207.55			
Hengdian Group DMEGC Magnetics Co., Ltd.	Real estate	317,473.67			
Dongyang Gas Co., Ltd.	Real estate	39,824.87			

3. Call loans between related parties

Under the deliberation and approval by the fifth meeting of the ninth session of the Board of Directors, the Company provides financial assistance not exceeding USD 80.00 million to the sub-subsidiary DMEGC Investment Pte. Ltd. through its wholly-owned subsidiary Hengdian Group DMEGC Magnetics (HK) Limited in the overseas photovoltaic industry chain, with a term of three years. Such assistance can be used on a rolling basis within USD 80.00 million at an annual interest rate of 8%. Other shareholders of DMEGC Investment Pte. Ltd. would provide financial assistance under the same conditions based on their holding proportion over the entity.

In the current period, the Company provided financial assistance principal of USD 20,756,553.07 to DMEGC Investment Pte. Ltd., and Sundell Pte. Ltd. provided financial assistance principal of USD 5,164,924.55 in the same proportion. As of December 31, 2023, the balance of principal and interest payable of DMEGC Investment Pte. Ltd. due to Sundell Pte. Ltd. was USD 5,232,846.85. Details are as follows:

Related parties	Opening balance of unpaid principal and interest payable	Accumulated principal and interest due to occupation of increased funds	Current repayment of principal and interest	Closing balance of unpaid principal and interest payable
Sundell Pte. Ltd.		USD 5,232,846.85		USD 5,232,846.85
Total		USD 5,232,846.85		USD 5,232,846.85

4. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	6.17 million yuan	7.17 million yuan

5. Other related party transactions

(1) Part of the Company's plants and projects under construction in progress are undertaken by Zhejiang Dongheng Construction Engineering Co., Ltd. The Company made progress payments of 62,519,173.56 yuan to Zhejiang Dongheng Construction Engineering Co., Ltd. in 2023, with progress payments of 287,499,646.00 yuan in the preceding period.

(2) In the current period, the Company contracted the installation and maintenance services of hydropower, fire protection, weak current installation and related supporting facilities of the project to Dongyang Sanhe Hydropower Installation Co., Ltd. The Company made project payments of 6,550,499.20 yuan to Dongyang Sanhe Hydropower Installation Co., Ltd. in 2023, with project payments of 9,401,227.98 yuan in the preceding period.

(3) In 2023, the Company received financial income of EUR 352,711.20 from Nanhua Asset Management SG Pte. Ltd. As of December 31, 2023, the Company has redeemed all its financial management products of EUR 30,520,000.00 that held at the beginning of the period.

(4) Pursuant to the investment registration documents and internal approval documents signed by the subsidiary Hengdian Group DMEGC Magnetics (HK) Limited and SunDell Pte. Ltd. in July 2023, they jointly invested in the establishment of the sub-subsidiary DMEGC Investment Pte. Ltd. in the current period. The registered capital of DMEGC Investment Pte. Ltd. is SGD 1,000,000.00, of which, SGD 801,000.00 was contributed by Hengdian Group DMEGC Magnetics (HK) Limited, accounting for 80.10%, and SGD 199,000.00 was contributed by SunDell Pte. Ltd., accounting for 19.90%. As of December 31, 2023, all the above contributions have been paid. DMEGC Investment Pte. Ltd. was formally established in July 2023.

(5) According to the "Equity Transfer Contract" entered into between the Company and HG Japan Co., Ltd. in July 2023, the Company transferred 15% of equity of DMEGC Japan Corporation Limited to HG Japan Co., Ltd. Canwin CPVs Ltd. assessed the assets to be transferred and issued the "Assets Appraisal Report" (CWAAR [2023] No. 423) thereon. The appraised value of the equity of DMEGC Japan Corporation Limited is equivalent to 25,305,318.00 yuan. Both parties determined the equity transfer price to be 3,900,000.00 yuan based on the appraised value. In September 2023, the Company received the above equity transfer payment.

(6) In the current period, the Company opened a futures account with Nanhua Futures Co., Ltd. and deposited 1,001.00 yuan.

(III) Balances due to or from related parties

1. Balances due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Zhejiang Innuovo Rehabilitation Devices Co., Ltd.	4,465,617.00	223,280.85	540,370.00	27,018.50
	Ruijin Trefan Technology Co., Ltd.	785,896.62	39,294.83		
	Zhejiang Xinna New Ceramic Materials Co., Ltd.	680,000.00	34,000.00	495,000.00	24,750.00
	Zhejiang Linix Motor Co., Ltd.	676,915.86	33,845.79	689,421.60	34,471.08
	Zhejiang Trefan Technology Co., Ltd.	545,451.06	27,272.55		
	Zhejiang Hengdian Innuovo Imp. & Exp. Co., Ltd.	428,392.11	21,419.61	1,864,924.95	93,246.25
	Zhejiang Dongyang DMEGC Rare Earth Co., Ltd.	203,053.96	10,152.70	110,659.42	5,532.97
	Hengdian Wenrong Hospital	67,748.40	3,387.42	886,192.20	44,309.61
	Zhejiang Hengdian Airport Co., Ltd.	65,005.00	3,250.25		
	Zhejiang Xinna Material Science and Technology Co., Ltd.	38,901.00	1,945.05		
	Zhejiang GBF Basalt Fiber Co., Ltd.	16,173.00	808.65		
	Hengdian Entertainment Co., Ltd.	13,602.00	680.10	542.00	27.10
	Apeloa Pharmaceutical Co., Ltd.	8,280.00	414.00		
	Zhejiang Dongheng Construction Engineering Co., Ltd.	4,912.00	245.60		
	Zhejiang Hengdian Tospo Imp. & Exp. Co., Ltd.	2,148.00	107.40		
	Zhejiang Avilive Chemical Co., Ltd.	1,273.00	63.65	29,193.00	1,459.65

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Zhejiang Hengdian Apeloa Imp. & Exp. Co., Ltd.	538.00	26.90		
	Dongyang Gas Co., Ltd.			21,466.00	1,073.30
	Hengdian Group Tospo Engineering Plastics Co., Ltd.			12,000.00	600.00
	Hengdian Group Tospo Lighting Co., Ltd.			1,884.00	94.20
	Dongyang Sanhe Hydropower Installation Co., Ltd.			288.00	14.40
Subtotal		8,003,907.01	400,195.35	4,651,941.17	232,597.06
Advances paid					
	Dongyang Hengdian Commodity Trading Co., Ltd.			46,800.00	
Subtotal				46,800.00	
Other receivables					
	Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.	717,835.03	717,835.03	717,835.03	717,835.03
	Zhejiang Xinna Material Science and Technology Co., Ltd.	180,000.00	9,000.00		
	Zhejiang Toda DMEGC Magnetics Co., Ltd.	148,000.00	7,400.00		
	Zhejiang Dongyang DMEGC Rare Earth Co., Ltd.	1,265.60	63.28	81,159.99	4,058.00
	Zhejiang Xinna New Ceramic Materials Co., Ltd.	64,000.00	6,400.00	64,000.00	3,200.00
	Hengdian Wenrong Hospital			50,000.00	2,500.00
	Dongyang Hengdian Commodity Trading Co., Ltd.			30,000.00	1,500.00
	Hengdian Group Tospo Engineering Plastics Co., Ltd.	5,000.00	250.00	3,000.00	150.00
	Nanhua Futures Co., Ltd.	1,001.00	50.05		
Subtotal		1,117,101.63	740,998.36	945,995.02	729,243.03
Long-term receivables	Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.	7,700,000.00	7,700,000.00	7,700,000.00	7,700,000.00
Subtotal		7,700,000.00	7,700,000.00	7,700,000.00	7,700,000.00

2. Balances due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable			
	Zhejiang Dongheng Construction Engineering	66,882,266.48	48,010,747.08

Items	Related parties	Closing balance	Opening balance
	Co., Ltd.		
	Zhejiang Dongyang DMEGC Rare Earth Co., Ltd.	22,881,159.67	142,246,826.95
	Dongyang Hengdian Commodity Trading Co., Ltd.	17,295,508.21	7,028,999.77
	Dongyang Gas Co., Ltd.	11,419,049.58	13,550,194.07
	Dongyang Hengdian World Studios Agricultural Products Wholesale Co., Ltd.	2,657,888.13	3,183,771.82
	Zhejiang Hengdian Thermal Electricity Co., Ltd.	2,130,480.00	1,264,725.00
	Zhejiang Toda DMEGC Magnetics Co., Ltd.	1,916,339.42	1,567,706.28
	Dongyang Sanhe Hydropower Installation Co., Ltd.	778,321.32	2,825,114.08
	Dongyang Hengdian Sewage Treatment Co., Ltd.	392,160.90	
	Hengdian Group Tospo Public Lighting Co., Ltd.	284,403.67	5,599.38
	Zhejiang Hengdian Omnimedia Technology Co., Ltd.	238,960.18	
	Zhejiang Hengdian World Studios Co., Ltd.	95,231.54	
	Dongyang Hengdian Car Transport Co., Ltd.	44,068.48	75,972.78
	Zhejiang Haludo Commercial & Trade Co., Ltd.	31,147.20	31,147.20
	ZheJiang Innuovo Magnetics Co., Ltd.	2,715.00	1,358,620.92
	Dongyang Hengdian Water Supply Co., Ltd.	919.80	59,455.20
	Dongyang Hengdian World Studios Tourism Marketing Co., Ltd.		26,675.38
Subtotal		127,050,619.58	221,235,555.91
Contract liabilities			
	Hengdian Group Tospo Engineering Plastics Co., Ltd.	127,433.63	
	Hengdian Group Holdings Limited	78,930.44	120,349.43
	Zhejiang Linix Motor Co., Ltd.	63,630.00	43,442.48
	Zhejiang Hengdian Thermal Electricity Co.,	5,003.54	150.00

Items	Related parties	Closing balance	Opening balance
	Ltd.		
	Zhejiang Hengdian City Public Service Co., Ltd.	1,959.29	2,088.68
	Zhejiang Innuovo New Energy Technology Co., Ltd.	1,286.73	2,986.79
Subtotal		278,243.63	169,017.38
Other payables			
	Sundell Pte. Ltd.	37,066,974.10	
	Zhejiang Dongheng Construction Engineering Co., Ltd.	1,546,350.00	1,000,000.00
	Zhejiang Dongyang DMEGC Rare Earth Co., Ltd.	360,000.00	360,000.00
	Dongyang Hengdian Commodity Trading Co., Ltd.	215,000.00	607,000.00
	Dongyang Hengdian World Studios Agricultural Products Wholesale Co., Ltd.	50,000.00	70,000.00
	Zhejiang Hengdian Omnimedia Technology Co., Ltd.	20,000.00	5,000.00
	Dongyang Hengdian Car Transport Co., Ltd.	5,000.00	5,000.00
	Hengdian Group Holdings Limited	[Note]	
Subtotal		39,263,324.10	2,047,000.00

Note: In the current period, the Company received 400.00 million yuan from and paid 400.00 million yuan to Hengdian Group Holdings Limited, with closing balance of 0 yuan.

XII. Commitments and contingencies

(I) Significant commitments

As of the balance sheet date, the Company has no significant commitments to be disclosed.

(II) Contingencies

As of the balance sheet date, the Company has no significant contingencies to be disclosed.

XIII. Events after the balance sheet date

Profit distribution after the balance sheet date

Profit or dividend planned to be distributed	The Company intends to distribute cash dividends of 3.90 yuan (tax inclusive) per 10 shares to all shareholders based on the total share capital of 1,612,404,222 shares.

XIV. Other significant events

(I) Segment information

1. Identification basis for reportable segments

Reportable segments are identified according to the structure of the Company's internal organization, management requirements and internal reporting system, and based on geographic segments/product segments.

2. Financial information of reportable segments

Geographic segment

Items	Year 2023	
	Revenue from main operations	Costs of main operations
Domestic	8,002,167,172.33	6,710,594,225.68
Overseas	11,561,481,852.00	8,806,285,612.19
Subtotal	19,563,649,024.33	15,516,879,837.87

Product segment

Items	Year 2023	
	Revenue from main operations	Costs of main operations
PV products	12,777,341,138.82	10,067,518,258.34
Magnetic materials	3,740,343,776.45	2,749,536,697.77
Lithium-ion batteries	2,051,361,328.57	1,909,165,404.14
Components	742,569,662.01	573,251,166.21
Others	252,033,118.48	217,408,311.41
Total	19,563,649,024.33	15,516,879,837.87

3. Other remarks

The Company's geographic segments and product segments are classified according to the place of final sales and the main products, respectively. Due to the common use of the fixed assets, the Company cannot accurately classify the operating assets and liabilities directly attributable to a certain segment.

(II) Overdue trust financial management

In November 2022, the Company signed the "Guotong Trust · Yingyu No. 1 Single Fund Trust Contract" with Guotong Trust Co., Ltd. and subscribed for Yingyu No. 1 of 300 million yuan, with a product term from November 24, 2022 to November 24, 2023. The fund of such product is mainly used to invest in Hangzhou Yuyao Sixiang No. 5 Private Securities Investment Fund. In the current period, after issuing an order requiring early redemption of shares in trust, the Company receives an interim announcement of information disclosure from Guotong Trust Co., Ltd., indicating that it has not received any relevant notice of confirming the redemption application from the fund manager after the order was issued, nor has it received the redemption payment from the fund manager. The Company reported the case to the public security authority in November 2023 and obtained the notice of filing. By the end of 2023, the Company has recovered 13.75 million yuan. Due to the significant uncertainty of the redemption of the remaining financial funds, the Company has fully recognized the loss on changes in fair value of 286.25 million yuan under the resolution of the ninth meeting of the ninth session of the Board of Directors.

XV. Notes to items of parent company financial statements

(I) Notes to items of parent company balance sheet

1. Accounts receivable

(1) Age analysis

Ages	Closing balance	Opening balance
Within 1 year	2,816,958,151.02	2,442,899,568.04
1-2 years	2,499,175.30	6,626,367.55
2-3 years	3,129,006.46	15,136,610.53
Over 3 years	16,193,350.58	14,186,024.76
Total	2,838,779,683.36	2,478,848,570.88

(2) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	51,917,719.30	1.83	33,439,193.04	64.41	18,478,526.26
Receivables with provision made on a collective basis	2,786,861,964.06	98.17	144,430,334.83	5.18	2,642,431,629.23
Total	2,838,779,683.36	100.00	177,869,527.87	6.27	2,660,910,155.49

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	70,465,757.81	2.84	44,233,223.14	62.77	26,232,534.67
Receivables with provision made on a collective basis	2,408,382,813.07	97.16	124,763,916.74	5.18	2,283,618,896.33
Total	2,478,848,570.88	100.00	168,997,139.88	6.82	2,309,851,431.00

2) No significant accounts receivable with provision made on an individual basis at the balance sheet date.

3) Accounts receivable with provision made on a collective basis using age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	2,779,029,843.03	138,951,492.15	5.00
1-2 years	2,064,503.86	206,450.39	10.00
2-3 years	707,464.11	212,239.23	30.00
Over 3 years	5,060,153.06	5,060,153.06	100.00
Subtotal	2,786,861,964.06	144,430,334.83	5.18

(3) Changes in provision for bad debts

1) Details

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for bad debts made on an individual basis	44,233,223.14	1,375,672.46	12,169,702.56			33,439,193.04
Receivables with provision for bad debts made on a collective basis	124,763,916.74	19,666,418.09				144,430,334.83
Total	168,997,139.88	21,042,090.55	12,169,702.56			177,869,527.87

2) No significant provisions collected or reversed in the current period.

(4) No accounts receivable actually written off in the current period

(5) Details of the top 5 debtors with largest balances of accounts receivable and contract assets

Debtors	Closing book balance			Proportion to the total balance of accounts receivable and contract assets (%)	Provision for bad debts of accounts receivable and provision for impairment of contract assets
	Accounts receivable	Contract assets	Subtotal		
Debtor 1	355,350,854.32		355,350,854.32	12.52	17,767,542.72
DMEGC Energy Renewable B.V.	219,371,804.95		219,371,804.95	7.73	10,968,590.25
Debtor 2	162,494,749.02		162,494,749.02	5.72	8,124,737.45
Debtor 3	55,689,702.72		55,689,702.72	1.96	2,784,485.14
DMEGC Japan Corporation Limited	54,716,372.54		54,716,372.54	1.93	2,735,818.63
Subtotal	847,623,483.55		847,623,483.55	29.86	42,381,174.19

2. Other receivables

(1) Other receivables categorized by nature

Nature of receivables	Closing book balance	Opening book balance
Call loans	1,295,053,780.27	967,646,306.41
Export tax refund	34,999,609.87	91,297,492.83
Temporary advance payment receivable	9,468,128.85	16,106,243.95
Receivables for equipment disposal	8,987,611.93	
Security deposits	6,965,409.00	11,350,350.00
Others	1,065,826.34	715,346.16
Total	1,356,540,366.26	1,087,115,739.35

(2) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	1,139,093,543.52	673,020,489.12
1-2 years	89,147,772.08	231,765,115.43
2-3 years	127,065,709.75	113,876,998.71
Over 3 years	1,233,340.91	68,453,136.09
Total	1,356,540,366.26	1,087,115,739.35

(3) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	35,717,444.90	2.63	717,835.03	2.01	34,999,609.87
Receivables with provision made on a collective basis	1,320,822,921.36	97.37	102,754,692.70	7.78	1,218,068,228.66
Total	1,356,540,366.26	100.00	103,472,527.73	7.63	1,253,067,838.53

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	92,015,327.86	8.46	717,835.03	0.78	91,297,492.83
Receivables with provision made on a collective basis	995,100,411.49	91.54	154,161,062.02	15.49	840,939,349.47

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Total	1,087,115,739.35	100.00	154,878,897.05	14.25	932,236,842.30

2) No significant other receivables with provision made on an individual basis at the balance sheet date.

3) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with ages	1,320,822,921.36	102,754,692.70	7.78
Including: Within 1 year	1,104,093,933.65	55,204,696.68	5.00
1-2 years	89,147,772.08	8,914,777.21	10.00
2-3 years	127,065,709.75	38,119,712.93	30.00
Over 3 years	515,505.88	515,505.88	100.00
Subtotal	1,320,822,921.36	102,754,692.70	7.78

(4) Changes in provision for bad debts

Items	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	29,086,149.81	23,176,511.54	102,616,235.70	154,878,897.05
Opening balance in the current period	——	——	——	
--Transferred to stage 2	-4,457,388.60	4,457,388.60		
--Transferred to stage 3		-12,706,570.98	12,706,570.98	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	30,575,935.47	-6,012,551.95	-75,969,752.84	-51,406,369.32
Provision recovered or reversed in the current period				
Provision written off in the current period				
Other changes				
Closing balance	55,204,696.68	8,914,777.21	39,353,053.84	103,472,527.73
Provision proportion (%)	4.85	10.00	30.67	7.63

(5) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Closing book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts at the balance sheet date
Jiangsu DMEGC New Energy Technology Co., Ltd.	Call loans	538,956,855.82	Within 1 year	39.73	26,947,842.79
Yibin Jinchuan Electronics Co., Ltd.	Call loans	222,641,595.57	[Note]	16.41	43,022,995.97
DMEGC Magnetics (HK) Co., Ltd.	Call loans	155,093,900.91	Within 1 year	11.43	7,754,695.05
Sichuan DMEGC New Energy Technology Co., Ltd.	Call loans	108,868,433.93	Within 1 year	8.03	5,443,421.70
Dongyang DMEGC PV Co., Ltd.	Call loans	74,622,786.47	Within 1 year	5.50	3,731,139.32
Subtotal		1,100,183,572.70		81.10	86,900,094.83

Note: It included balance of 30,115,140.00 yuan with age within 1 year, balance of 81,203,488.51 yuan with age of 1-2 years, and balance of 111,322,967.06 yuan with age of 2-3 years.

3. Long-term equity investments

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	602,900,359.31		602,900,359.31	352,739,311.72	3,608,545.45	349,130,766.27
Investments in associates and joint ventures	68,268,992.66		68,268,992.66	62,997,982.38		62,997,982.38
Total	671,169,351.97		671,169,351.97	415,737,294.10	3,608,545.45	412,128,748.65

(2) Investments in subsidiaries

Investees	Opening balance		Increase/ Decrease				Closing balance	
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Provision for impairment	Others	Carrying amount	Provision for impairment
Zhejiang Dongyang DMEGC Chengji Electronics Co., Ltd.	122,695,017.91						122,695,017.91	
Jiangsu DMEGC New Energy Technology Co., Ltd.	90,000,000.00						90,000,000.00	
Sichuan DMEGC New Energy Technology Co., Ltd.			90,000,000.00				90,000,000.00	
Lianyungang DMEGC New Energy Technology Co., Ltd.			90,000,000.00				90,000,000.00	
Yibin Jinchuan Electronics Co., Ltd.	65,055,900.00						65,055,900.00	
Dongyang DMEGC PV Co., Ltd.	900,000.00		35,100,000.00				36,000,000.00	
Hengdian Group DMEGC Magnetics (Vietnam) Company			28,421,883.00				28,421,883.00	

Investees	Opening balance		Increase/ Decrease				Closing balance	
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Provision for impairment	Others	Carrying amount	Provision for impairment
Limited								
Dongyang Hengfeng New Energy Technology Co., Ltd.			18,000,000.00				18,000,000.00	
Qixian DMEGC New Energy Co., Ltd.	9,000,000.00						9,000,000.00	
Huoshan DMEGC Electronic Technology Co., Ltd.	9,000,000.00						9,000,000.00	
Wuzhou DMEGC Electronics Co., Ltd.	9,000,000.00						9,000,000.00	
DMEGC Japan Corporation Limited	6,440,080.00			966,012.00			5,474,068.00	
Dongyang DMEGC Magnetics New Energy Co., Ltd.	5,000,000.00						5,000,000.00	
Duchang Haoti Solar Power Generation Co., Ltd.	0.90		4,500,000.00				4,500,000.90	
Wuxue DMEGC Magnetic Material Co., Ltd.	4,500,000.00						4,500,000.00	
Dongyang DMEGC Automation Technology Co., Ltd.	4,400,000.00						4,400,000.00	
Dongyang Zhongshi Mould Co., Ltd.	3,476,172.00						3,476,172.00	
DMEGC Energy Renewable B.V.	3,242,070.00						3,242,070.00	
Qixian DMEGC Magnetic Material Co., Ltd.	1,800,000.00						1,800,000.00	
Lianyungang Ganyu Dongyu New Energy Co., Ltd.			1,000,000.00				1,000,000.00	
Lianyungang Ganyu Dongshang New Energy Co., Ltd.			1,000,000.00				1,000,000.00	
Jinhua Cimeng Intellectual Property Service Co., Ltd.	700,000.00						700,000.00	
Hengdian Group DMEGC Magnetics (HK) Limited	408,200.00						408,200.00	
DMEGC Germany GmbH	227,047.50						227,047.50	
Ganzhou Xinsheng Rare Earth Industry Co., Ltd.	13,286,277.96	3,608,545.45		13,286,277.96				
Subtotal	349,130,766.27	3,608,545.45	268,021,883.00	14,252,289.96			602,900,359.31	

(3) Investments in associates and joint ventures

Investees	Opening balance		Increase/Decrease			
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures						
Dongyang Hengdian DMEGC Equity Investment Fund Partnership (LP)	62,997,982.38				370,536.70	
Dongyang Chanfa Photovoltaic Technology Co., Ltd.			4,900,000.00		473.58	
Subtotal	62,997,982.38		4,900,000.00		371,010.28	
Associates						
Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.						
Subtotal						
Total	62,997,982.38		4,900,000.00		371,010.28	

(Continued)

Investees	Increase/Decrease				Closing balance	
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others	Carrying amount	Provision for impairment
Joint ventures						
Dongyang Hengdian DMEGC Equity Investment Fund Partnership (LP)					63,368,519.08	
Dongyang Chanfa Photovoltaic Technology Co., Ltd.					4,900,473.58	
Subtotal						
Associates						
Wuhan Gangshi DMEGC Magnetic Material Co., Ltd.					68,268,992.66	
Subtotal						
Total					68,268,992.66	

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	18,735,729,683.67	15,182,816,096.99	20,783,935,196.43	17,657,510,761.19
Other operations	140,354,815.66	113,792,412.63	251,260,964.16	224,163,216.74
Total	18,876,084,499.33	15,296,608,509.62	21,035,196,160.59	17,881,673,977.93
Including: Revenue from contracts with customers	18,869,321,798.09	15,294,967,508.91	21,029,240,422.06	17,880,091,752.61

(2) Breakdown of revenue from contracts with customers

1) Breakdown of revenue by goods or services

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
PV products	12,241,519,618.18	9,867,148,889.84	14,404,925,025.68	12,657,607,449.21
Magnetic materials	3,802,426,427.98	2,887,687,388.60	4,241,370,680.93	3,288,537,463.54
Lithium-ion batteries	2,051,361,328.57	1,909,165,404.14	1,561,369,295.11	1,243,377,524.29
Components	381,111,330.24	289,748,571.26	348,676,039.48	266,390,201.79
Others	392,903,093.12	341,217,255.07	472,899,380.86	424,179,113.78
Subtotal	18,869,321,798.09	15,294,967,508.91	21,029,240,422.06	17,880,091,752.61

2) Breakdown of revenue by operating regions

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Domestic	10,354,071,941.02	8,161,433,457.49	10,471,280,083.95	9,071,036,382.83
Overseas	8,515,249,857.07	7,133,534,051.42	10,557,960,338.11	8,809,055,369.78
Subtotal	18,869,321,798.09	15,294,967,508.91	21,029,240,422.06	17,880,091,752.61

3) Breakdown of revenue by time of transferring goods or rendering services

Items	Current period cumulative	Preceding period comparative
Recognized at a point in time	18,869,321,798.09	21,029,240,422.06
Subtotal	18,869,321,798.09	21,029,240,422.06

(6) Contract liabilities with opening balance of 445,481,175.05 yuan were carried over to revenue in the current period.

2. R&D expenses

Items	Current period cumulative	Preceding period comparative
Direct input costs	512,743,687.01	575,390,664.60
Personnel costs	124,333,282.55	131,595,749.39
Depreciation	96,359,564.51	135,096,214.77
Others	7,942,490.35	2,380,722.95
Total	741,379,024.42	844,463,351.71

3. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	371,010.28	133,817.50
Investment income from long-term equity investments under cost method	33,779,192.00	913,521.09
Investment income from disposal of long-term equity investments	-9,772,289.96	
Losses on discounting of receivables financing	-1,843,996.18	-7,209,262.83
Investment income from forward foreign exchange settlement	-83,560,035.09	30,470,271.35
Dividend income from other equity instrument investments	560,000.00	400,000.00
Income from financial products	8,177,944.52	17,314,076.88
Total	-52,288,174.43	42,022,423.99

XVI. Other supplementary information

(I) Non-recurring profit or loss

1. Schedule of non-recurring profit or loss

Items	Amount	Remarks
Gains on disposal of non-current assets, including write-off of provision for impairment	-10,529,310.02	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, enjoyed based on certain standards, and continuously affecting gains or losses of the Company)	153,537,137.76	
Gains on changes in fair value of financial assets and financial liabilities held by non-financial enterprises, and gains from disposal of financial assets and financial liabilities, excluding those arising from hedging business related to operating activities	-372,056,067.17	
Fund possession charge from non-financial entities and included in profit or loss		
Gains on assets consigned to the third party for investment or management	14,719,053.86	

Items	Amount	Remarks
Gains on designated loans		
Losses on assets incurred due to force majeure such as natural disasters		
Reversed provision for impairment of receivables based on impairment testing on an individual basis	12,169,702.56	
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Net profit on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Gains on non-cash assets exchange		
Gains on debt restructuring		
One-off expenses incurred due to the discontinuation of relevant operating activities, such as severance payments		
One-off effects on profit or loss due to amendments of laws and regulations on taxation, accounting, etc.		
Share-based payments recognized at one time due to cancellation or modification of equity incentive plan		
Gains arising from changes in the fair value of employee benefits payable after the vesting date for cash-settled share-based payment		
Gains on changes in fair value of investment properties with subsequent measurement using the fair value model		
Gains on transactions with unfair value		
Contingent gains on non-operating activities		
Management charges for consigned operations		
Other non-operating revenue or expenditures	6,732,219.81	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	-195,427,263.20	
Less: Enterprise income tax affected	12,350,555.28	
Non-controlling interest affected (after tax)	1,337,822.01	
Net non-recurring profit or loss attributable to shareholders of the parent company	-209,115,640.49	

2. Remarks on the exception that the Company recognized non-recurring profit or loss as listed in the "Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)" as recurring profit or loss based on relevant definition and principle are as follows:

Items	Amount	Reasons
Local water conservancy construction fund	67,267.93	As a taxes and rates item, it is defined as recurring profit or loss as it is directly related to the normal business operation and is not special or accidental.
VAT refund	1,183,488.06	As the preferential tax policy of VAT refund

Items	Amount	Reasons
		enjoyed by sub-subsidiary Dongyang Hengdian DMEGC Electric Machine Co., Ltd. is not special or accidental, such VAT refund is defined as recurring profit and loss.

3. Effect on non-recurring profit or loss in 2022 due to implementation of "Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)"

Items	Amount
Net non-recurring profit or loss attributable to the owner of the parent company in 2022	69,217,135.88
Net non-recurring profit or loss attributable to the owner of the parent company calculated based on the "Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)" in 2022	21,096,974.56
Difference	48,120,161.32

(II) ROE and EPS

1. Details

Profit of the reporting period	Weighted average ROE (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	22.06	1.13	1.13
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	24.61	1.26	1.26

2. Calculation process of weighted average ROE

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	1,816,173,218.66
Non-recurring profit or loss	B	-209,115,640.49
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	2,025,288,859.15
Opening balance of net assets attributable to shareholders of ordinary shares	D	7,750,130,778.12
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E	
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F	
Net assets attributable to shareholders of ordinary shares decreased due to cash dividends appropriation	G1	583,741,646.42
Number of months counting from the next month when the net assets were decreased to the end of the	H1	9

Items		Symbols	Current period cumulative
reporting period			
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase		G2	2,778,792.43
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H2	9
Others	Changes in fair value of other equity instrument investments	I1	28,900,000.00
	Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J1	6
	Changes in capital reserve due to transfer of 15% of equity of DMEGC Japan Corporation Limited	I2	543,118.23
	Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J2	4
	Translation reserve attributable to shareholders of ordinary shares	I3	-3,620,387.42
	Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J3	6
Number of months in the reporting period		K	12
Weighted average net assets		L= D+A/2+ E×F/K-G×H/K±I×J/K	8,231,147,904.01
Weighted average ROE		M=A/L	22.06%
Weighted average ROE after deducting non-recurring profit or loss		N=C/L	24.61%

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	1,816,173,218.66
Non-recurring profit or loss	B	-209,115,640.49
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	2,025,288,859.15
Opening balance of total shares	D	1,612,547,222
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	

Items	Symbols	Current period cumulative
Number of months counting from the next month when the shares were increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H	143,000
Number of months counting from the next month when the shares were decreased to the end of the reporting period	I	9
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12
Weighted average of outstanding ordinary shares	L=D+E+F×G/K-H×I/K-J	1,612,439,972
Basic EPS	M=A/L	1.13
Basic EPS after deducting non-recurring profit or loss	N=C/L	1.26

(2) Calculation process of diluted EPS is the same as that of basic EPS.

Hengdian Group DMEGC Magnetics Co., Ltd.

March 7, 2024