

**SUNWODA ELECTRONIC CO., LTD.
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 and 2020**

Sunwoda Electronic Co., Ltd.
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
(For the Years Ended 31 December 2019 and 2020)

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AUDITOR'S REPORT

Xin Kuai Shi Bao Zi [20XX] No. ZGXXX

To the Board of Directors of Sunwoda Electronic Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Sunwoda Electronic Co., Ltd. ("Sunwoda"), which comprise the consolidated and company's balance sheets as at 31 December 2019 and 2020, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for each of the years ended 31 December 2019 and 2020, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2019 and 2020 and the consolidated and company's financial performance and cash flows for each of the years ended 31 December 2019 and 2020 in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Opinion

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

Other Matter

Sunwoda has prepared separate sets of financial statements for each of the years ended 31 December 2019 and 31 December 2020 in accordance with Accounting Standards for Business Enterprises, on which we issued separate auditor's reports to the shareholders of Sunwoda, dated 27 April 2020 and 15 March 2021, respectively. This report is intended solely for the Board of Directors of Sunwoda in connection with the listing of global depository receipts (GDRs) on SIX Swiss Exchange AG and is not to be used for any other purpose.

Responsibilities of the Management and those Charged with Governance for the Financial Statements

Management of Sunwoda ("management") is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Sunwoda's financial reporting process.

Auditor'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 CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understand of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of 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 Sunwoda'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 Sunwoda to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Sunwoda to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Shanghai, China

Certified Public Accountant of China:

Certified Public Accountant of China:

[Prospectus date]

Sunwoda Electronic Co., Ltd.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

(All amounts expressed in RMB unless otherwise stated)

Assets	Note 5	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	5.1	4,595,371,501.69	4,673,513,601.52
Financial assets held for trading	5.2	10,237,990.02	989,334.42
Derivative financial assets			
Notes receivable			
Accounts receivable	5.3	7,508,406,084.48	5,103,567,615.47
Receivables financing	5.4	321,122,653.88	83,808,441.45
Advances to suppliers	5.5	66,593,946.37	40,335,163.13
Other receivables	5.6	322,771,924.26	199,249,809.71
Inventories	5.7	5,120,848,302.50	4,060,961,308.02
Contract assets			
Assets held for sale			
Non-current assets due within one year	5.8	34,439,277.46	33,474,731.33
Other current assets	5.9	696,891,065.73	634,848,812.29
Total current assets		18,676,682,746.39	14,830,748,817.34
Non-current assets:			
Creditor's rights investment			
Other creditor's rights investment			
Long-term receivables			
Long-term equity investments	5.10	316,358,923.53	294,972,343.50
Other equity instrument investment			
Other non-current financial assets	5.11	764,694,115.94	276,570,643.69
Investment property			
Fixed assets	5.12	5,935,854,403.87	4,261,496,053.26
Construction in progress	5.13	1,915,029,869.57	1,165,675,945.41
Intangible assets	5.14	749,623,286.69	641,988,916.85
Development expenditures			
Goodwill	5.15	70,728,600.15	70,728,600.15
Long-term deferred expenses	5.16	1,301,318,815.75	809,241,847.25
Deferred tax assets	5.17	222,340,057.44	223,614,729.20
Other non-current assets	5.18	719,571,313.74	1,014,070,237.04
Total non-current assets		11,995,519,386.68	8,758,359,316.35
Total assets		30,672,202,133.07	23,589,108,133.69

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

<u>Liabilities and Owners' Equity</u>	<u>Note 5</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Current liabilities:			
Short-term borrowings	5.19	6,150,952,106.32	5,558,797,025.26
Financial liabilities held for trading	5.20		56,020,064.88
Derivative financial liabilities			
Notes payable	5.21	2,726,862,444.18	2,583,340,564.04
Accounts payable	5.22	7,066,202,374.64	5,463,471,583.32
Advances from customers	5.23		103,114,626.74
Contract liabilities	5.24	321,286,279.55	
Employees' benefits payable	5.25	545,578,876.57	346,744,986.15
Taxes and surcharges payable	5.26	108,410,824.19	87,449,461.99
Other payables	5.27	928,621,522.55	706,265,669.04
Held-for-sale liabilities			
Non-current liabilities due within one year	5.28	701,741,236.92	1,111,969,016.64
Other current liabilities	5.29	237,274,931.90	
Total current liabilities		18,786,930,596.82	16,017,172,998.06
Non-current liabilities:			
Long-term borrowings	5.30	1,650,632,290.25	812,538,256.25
Bonds payable	5.31	2,008,188,216.88	
Including: Preferred stocks			
Perpetual debts			
Long-term payables	5.32	302,848,665.63	242,437,314.76
Long-term employees' benefits payable			
Provisions	5.33	44,497,619.66	33,730,717.85
Deferred income	5.34	555,240,548.21	448,595,976.26
Deferred tax liabilities	5.17	62,759,979.33	40,949,952.31
Other non-current liabilities	5.35	113,708,288.50	
Total non-current liabilities		4,737,875,608.46	1,578,252,217.43
Total liabilities		23,524,806,205.28	17,595,425,215.49
Owners' equity:			
Share capital	5.36	1,574,979,031.00	1,569,135,331.00
Other equity instrument	5.37	72,174,079.25	
Including: Preferred stocks			
Perpetual debts			
Capital reserves	5.38	2,228,172,564.86	1,874,527,535.62
Less: Treasury stocks	5.39	368,614,935.00	291,465,000.00
Other comprehensive income	5.40	2,138,548.46	-608,522.40
Special reserves			
Surplus reserves	5.41	507,131,632.53	391,234,702.85
General risk reserves			
Undistributed profits	5.42	2,803,039,775.29	2,226,732,690.93
Total equity attributable to owners of the Company		6,819,020,696.39	5,769,556,738.00
Non-controlling interests		328,375,231.40	224,126,180.20
Total owners' equity		7,147,395,927.79	5,993,682,918.20
Total liabilities and owners' equity		30,672,202,133.07	23,589,108,133.69

The accompanying notes to the financial statements are constituent parts of the financial statements.

Representative: Chief Financial Controller: Head of the Accounting Department:

Sunwoda Electronic Co., Ltd.

THE COMPANY'S BALANCE SHEET

As at 31 December 2020

(All amounts expressed in RMB unless otherwise stated)

Assets	Note 15	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents		2,884,402,353.36	3,396,885,848.09
Financial assets held for trading		10,037,990.02	989,334.42
Derivative financial assets			
Notes receivable			
Accounts receivable	15.1	7,201,826,041.58	8,197,351,949.31
Receivables financing	15.2	216,959,449.50	28,051,318.46
Advances to suppliers		17,246,572.49	17,067,656.65
Other receivables	15.3	5,899,018,285.56	3,924,109,566.69
Inventories		1,954,405,464.68	2,358,458,947.91
Contract assets			
Assets held for sale			
Non-current assets due within one year		32,068,885.01	320,891,251.01
Other current assets		68,650,633.22	267,021,729.14
Total current assets		18,284,615,675.42	18,510,827,601.68
Non-current assets:			
Creditor's right investment			
Other creditor's right investment			
Long-term receivables			
Long-term equity investments	15.4	4,911,849,635.94	3,813,905,765.85
Other equity instrument investment			
Other non-current financial assets		637,787,142.94	166,585,880.69
Investment property			
Fixed assets		2,090,685,126.41	1,627,886,070.75
Construction in progress		213,920,016.02	146,961,270.02
Intangible assets		143,880,642.74	150,362,948.92
Development expenses			
Goodwill			
Long-term deferred expenses		145,842,208.26	170,663,046.00
Deferred tax assets			37,785,991.16
Other non-current assets		153,189,293.11	232,455,007.59
Total non-current assets		8,297,154,065.42	6,346,605,980.98
Total assets		26,581,769,740.84	24,857,433,582.66

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

<u>Liabilities and Owners' Equity</u>	<u>Note 15</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Current liabilities:			
Short-term borrowings		4,986,406,008.95	5,026,995,285.64
Financial liabilities held for trading			56,020,064.88
Derivative financial liabilities			
Notes payable		2,367,212,786.32	2,479,278,577.96
Accounts payable		5,180,650,479.90	7,092,580,282.75
Advances from customers			65,291,899.43
Contract liabilities		213,574,788.25	
Employees' benefits payable		129,051,980.58	110,805,726.18
Taxes and surcharges payable		16,663,127.20	2,034,031.82
Other payables		1,497,716,353.82	1,454,351,516.28
Held-for-sale liabilities			
Non-current liabilities maturing within one year . .		399,238,623.37	1,013,665,627.11
Other current liabilities		111,734,225.88	
Total current liabilities		14,902,248,374.27	17,301,023,012.05
Non-current liabilities:			
Long-term borrowings		1,137,060,000.00	361,080,000.00
Bonds payable		2,008,188,216.88	
Including: Preferred stocks			
Perpetual debts			
Long-term payables		86,885,175.51	207,967,680.25
Long-term employees' benefits payable			
Provisions			
Deferred income		119,527,043.37	71,001,960.01
Deferred tax liabilities		9,969,679.73	
Other non-current liabilities			
Total non-current liabilities		3,361,630,115.49	640,049,640.26
Total liabilities		18,263,878,489.76	17,941,072,652.31
Owners' equity:			
Share capital		1,574,979,031.00	1,569,135,331.00
Other equity instrument		72,174,079.25	
Including: Preferred stocks			
Perpetual debts			
Capital reserves		2,769,359,281.46	2,417,914,709.58
Less: Treasury stocks		368,614,935.00	291,465,000.00
Other comprehensive income			
Special reserves			
Surplus reserves		507,131,632.53	391,234,702.85
Undistributed profits		3,762,862,161.84	2,829,541,186.92
Total owners' equity		8,317,891,251.08	6,916,360,930.35
Total liabilities and owners' equity		26,581,769,740.84	24,857,433,582.66

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

Sunwoda Electronic Co., Ltd.

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 December 2020

(All amounts expressed in RMB unless otherwise stated)

Item	Note 5	Current year	Prior year
I. Total revenue		29,692,307,885.29	25,240,657,906.82
Including: Operating revenue.	5.43	29,692,307,885.29	25,240,657,906.82
II. Total cost		29,081,318,838.28	24,484,289,589.00
Including: Cost of sales	5.43	25,280,023,732.23	21,366,703,719.52
Taxes and surcharges	5.44	104,113,384.00	97,576,602.71
Selling expenses.	5.45	253,039,990.54	260,231,898.84
Administrative expenses	5.46	1,137,363,114.44	857,306,743.10
Research and development expenses	5.47	1,806,287,309.25	1,522,671,233.55
Finance expenses	5.48	500,491,307.82	379,799,391.28
Including: Interest expenses		418,243,919.26	325,359,195.75
Interest incomes		93,693,920.19	40,564,904.19
Add: Other incomes	5.49	171,121,754.79	106,787,479.74
Investment income (“-” for losses).	5.50	46,366,010.69	146,775,145.13
Including: Income from investment in associates and joint ventures		66,664,176.20	143,266,047.58
Incomes from derecognized financial assets measured at amortized cost			
Incomes from change in fair value (“-” for loss).	5.51	435,719,990.08	15,178,686.35
Losses on credit impairment (“-” for losses).	5.52	-62,911,933.19	-79,724,370.22
Losses on assets impairment (“-” for losses)	5.53	-212,250,532.97	-134,534,431.88
Incomes from assets disposal (“-” for losses)	5.54	-11,703,813.91	-1,613,449.27
III. Operating profits (“-” for losses)		977,330,522.50	809,237,377.67
Add: Non-operating income.	5.55	47,387,568.86	22,996,715.13
Less: Non-operating expense	5.56	57,462,702.15	18,075,795.54
IV. Total profits (“-” for total losses).		967,255,389.21	814,158,297.26
Less: Income tax expenses	5.57	166,994,064.29	64,041,095.24
V. Net profits (“-” for net losses)		800,261,324.92	750,117,202.02
(I) Classified by continued operation			
1. Net profits from continued operation (“-” for net losses)		800,261,324.92	750,117,202.02
2. Net profits from discontinued operation (“-” for net losses)			
(II) Classified by ownership belonging.			
1. Net profit attributable to shareholders of the Company (“-” for net losses)		801,955,406.21	750,965,900.34
2. Profits or losses attributable to non-controlling shareholders (“-” for net losses).		-1,694,081.29	-848,698.32
VI. Net amount of other comprehensive income after tax		3,730,516.61	2,346,937.27
Net amount of other comprehensive income after tax attributable to owners of the Company.		3,730,408.24	2,347,038.10

Item	Note 5	Current year	Prior year
(I) Other comprehensive income that cannot be reclassified into the profit or loss afterwards. . . .			
1. Changes under the defined benefit plan after re-measurement.			
2. Other comprehensive income that cannot be reclassified into profits or losses under equity method.			
3. Changes in fair value of other equity instrument investment			
4. Changes in fair value of enterprises' own credit risks			
(II) Other comprehensive income that will be reclassified into the profit or loss.		3,730,408.24	2,347,038.10
1. Other comprehensive income that will be re-classified into profit/loss under equity method.			
2. Changes in fair values of other creditor's right investment			
3. Amount in other comprehensive incomes after reclassification of financial assets.			
4. Provisions for credit impairment of other creditor's right investment.			
5. Hedge reserves of cash flow			
6. Differences from translation of foreign-currency financial statements		3,730,408.24	2,347,038.10
7. Others			
Net amount of other comprehensive income after tax attributable to non-controlling shareholders.		108.37	-100.83
VII. Total comprehensive income.		803,991,841.53	752,464,139.29
Total comprehensive income attributable to owners of the Company.		805,685,814.45	753,312,938.44
Total comprehensive income attributable to non-controlling shareholders.		-1,693,972.92	-848,799.15
VIII. Earnings per share:.			
(I) Basic earnings per share (RMB/share).	5.58	0.52	0.49
(II) Diluted earnings per share (RMB/share).	5.58	0.52	0.49

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

Sunwoda Electronic Co., Ltd.

THE COMPANY'S INCOME STATEMENT

For the Year Ended 31 December 2020

(All amounts expressed in RMB unless otherwise stated)

Item	Note 15	Current year	Prior year
I. Operating revenue	15.5	26,563,065,744.48	28,976,064,228.81
Less: Cost of sales	15.5	23,931,403,699.57	26,286,169,911.20
Taxes and surcharges		55,841,751.85	61,247,062.55
Selling expenses		114,851,973.77	113,637,371.33
Administrative expenses		519,681,339.30	431,045,110.54
Research and development expenses		872,185,221.80	892,166,918.32
Finance expenses		325,780,019.19	293,331,271.53
Including: Interest expenses		302,140,008.76	274,709,439.41
Interest incomes		88,919,112.46	55,279,834.19
Add: Other incomes		113,943,603.57	88,319,339.10
Investment income ("-" for losses).	15.6	-20,306,596.26	-8,492,747.73
Including: Income from investment in associates and joint ventures			-5,177,691.68
Income from derecognition of financial assets measured at amortized cost			
Income from changes in fair value ("-" for losses)		500,009,982.73	22,149,087.19
Loss on credit impairment ("-" for losses)		-52,506,811.53	-51,338,696.07
Loss on assets impairment ("-" for losses)		-15,470,338.22	-31,754,913.48
Income from assets disposal ("-" for losses).		-9,794,285.80	-441,615.11
II. Operating profits ("-" for losses).		1,259,197,293.49	916,907,037.24
Add: Non-operating income.		28,042,032.39	15,454,142.30
Less: Non-operating expense		28,763,500.26	11,109,562.94
III. Total profits ("-" for total loss)		1,258,475,825.62	921,251,616.60
Less: Income tax expenses		99,506,528.85	49,570,367.58
IV. Net profits ("-" for net losses)		1,158,969,296.77	871,681,249.02
(I) Net profits from continued operation ("-" for losses)		1,158,969,296.77	871,681,249.02
(II) Net profits from discontinued operation ("-" for losses)			
V. Net amount of other comprehensive income after tax			
(I) Other comprehensive income that cannot be reclassified into the profit or loss			
1. Changes under the defined benefit plan after re-measurement			
2. Other comprehensive income that cannot be reclassified into profits or losses under equity method			
3. Changes in fair value of other equity instruments			
4. Changes in fair value of enterprises' credit risk			

Item	Note 15	Current year	Prior year
(II) Other comprehensive income that will be reclassified into the profit or loss			
1. Other comprehensive income that will be reclassified into the profit or loss under equity method			
2. Changes in fair values of other creditor's rights investment			
3. Amount in other comprehensive incomes after reclassification of financial assets			
4. Provisions for credit impairment of other creditor's rights investment			
5. Hedge reserves of cash flow			
6. Differences from translation of foreign-currency financial statements			
7. Others			
VI. Total comprehensive income		1,158,969,296.77	871,681,249.02
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

Sunwoda Electronic Co., Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2020

(All amounts expressed in RMB unless otherwise stated)

Item	Note 5	Current year	Prior year
I. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		31,610,303,954.19	26,995,825,529.84
Refunds of taxes and surcharges		484,023,880.01	345,127,142.34
Cash received from other operating activities	5.59	460,771,861.90	822,784,067.40
Sub-total of cash inflows from operating activities		32,555,099,696.10	28,163,736,739.58
Cash paid for goods purchased and services received		27,669,187,281.69	23,551,341,724.96
Cash paid to and on behalf of employees		3,217,482,657.14	2,629,395,161.45
Cash paid for taxes and surcharges		441,685,759.12	428,262,118.11
Cash paid for other operating activities	5.59	982,656,572.50	810,892,547.63
Sub-total of cash outflows from operating activities		32,311,012,270.45	27,419,891,552.15
Net cash flows from operating activities		244,087,425.65	743,845,187.43
II. Cash flows from investment activities			
Cash received from investment recovery		4,989,799.66	335,151,530.89
Cash received from returns on investments		57,319,015.66	392,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,294,623.33	29,620,178.45
Net cash received from disposal of subsidiaries and other business units		1.00	
Cash received from other investment activities	5.59	11,801,673.51	
Sub-total of cash inflows from investment activities		87,405,113.16	365,163,709.34
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		3,360,072,435.72	3,079,159,354.60
Cash paid for investments		88,966,309.46	164,157,547.62
Net cash paid for acquiring subsidiaries and other business units			
Cash paid for other investment activities	5.59		5,263,742.17
Sub-total of cash outflows from investment activities		3,449,038,745.18	3,248,580,644.39
Net cash flows from investment activities		-3,361,633,632.02	-2,883,416,935.05
III. Cash flows from financing activities			
Cash received from investment absorption		278,170,000.00	683,465,000.00
Including: Cash received by subsidiaries from investments of non-controlling shareholders		191,500,000.00	392,000,000.00
Cash received from borrowings		11,858,797,002.79	7,655,357,532.79
Cash received from other financing activities	5.59	2,491,668,773.46	446,920,111.10
Sub-total of cash inflows from financing activities		14,628,635,776.25	8,785,742,643.89

<u>Item</u>	<u>Note 5</u>	<u>Current year</u>	<u>Prior year</u>
Cash paid for debt repayments		9,011,754,489.79	4,626,712,710.76
Cash paid for distribution of dividends and profits or interest payment		413,963,048.75	522,967,658.34
Including: Dividends and profits paid to non- controlling shareholders by subsidiaries			1,857,277.12
Cash paid for other financing activities	5.59	1,459,880,858.47	2,285,954,766.38
Sub-total of cash outflows from financing activities		10,885,598,397.01	7,435,635,135.48
Net cash flows from financing activities		3,743,037,379.24	1,350,107,508.41
IV. Implication of exchange rate changes on cash and cash equivalents		-50,101,582.03	1,263,373.25
V. Net increase in cash and cash equivalents	<i>5.60</i>	575,389,590.84	-788,200,865.96
Add: Beginning balance of cash and cash equivalents	<i>5.60</i>	1,787,421,127.02	2,575,621,992.98
VI. Ending balance of cash and cash equivalents	<i>5.60</i>	2,362,810,717.86	1,787,421,127.02

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

Sunwoda Electronic Co., Ltd.

THE COMPANY'S STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2020

(All amounts expressed in RMB unless otherwise stated)

Item	Note	Current	Prior year
I. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		29,219,991,186.94	29,025,173,971.70
Refunds of taxes and surcharges		458,715,903.76	339,576,840.71
Cash received from other operating activities		1,511,989,220.96	1,531,589,831.50
Sub-total of cash inflows from operating activities		31,190,696,311.66	30,896,340,643.91
Cash paid for goods purchased and services received		27,525,787,141.16	27,328,935,067.53
Cash paid to and on behalf of employees		903,934,391.59	841,782,742.67
Cash paid for taxes and surcharges		103,899,077.65	219,929,468.16
Cash paid for other operating activities		3,619,916,843.36	2,912,505,629.16
Sub-total of cash outflows from operating activities		32,153,537,453.76	31,303,152,907.52
Net cash flows from operating activities		-962,841,142.10	-406,812,263.61
II. Cash flows from investment activities			
Cash received from investment recovery		347,761,398.29	164,264,000.00
Cash received from returns on investments		15,953,403.74	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		290,896,694.56	129,705,043.85
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment activities			
Sub-total of cash inflows from investment activities		654,611,496.59	293,969,043.85
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		965,017,233.83	696,927,271.49
Cash paid for investments		866,908,000.00	932,828,880.88
Net cash paid for acquiring subsidiaries and other business units			
Cash paid for other investment activities			3,315,056.05
Sub-total of cash outflows from investment activities		1,831,925,233.83	1,633,071,208.42
Net cash flows from investment activities		-1,177,313,737.24	-1,339,102,164.57
III. Cash flows from financing activities			
Cash received from investment absorption		86,670,000.00	291,465,000.00
Cash received from borrowings		10,102,604,193.45	6,700,005,448.73
Cash received from other financing activities		1,734,094,725.03	541,961,003.67
Sub-total of cash inflows from financing activities		11,923,368,918.48	7,533,431,452.40

<u>Item</u>	<u>Note</u>	<u>Current</u>	<u>Prior year</u>
Cash paid for debt repayments		8,027,213,470.14	4,290,413,960.76
Cash paid for distribution of dividends and profits or interest payment		348,266,479.70	480,302,345.53
Cash paid for other financing activities		937,243,538.04	2,085,781,200.15
Sub-total of cash outflows from financing activities		9,312,723,487.88	6,856,497,506.44
Net cash flows from financing activities		2,610,645,430.60	676,933,945.96
IV. Implication of exchange rate changes on cash and cash equivalents		-24,499,293.44	
V. Net increase of cash and cash equivalents . . .		445,991,257.82	-1,068,980,482.22
Add: Beginning balance of cash and cash equivalents		751,917,954.09	1,820,898,436.31
VI. Ending balance of cash and cash equivalents		1,197,909,211.91	751,917,954.09

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

Sunwoda Electronic Co., Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Year Ended 31 December 2020

(All amounts expressed in RMB unless otherwise stated)

Item	Equity attributable to owners of the Company										Total owners' equity			
	Other equity instruments			Current								Subtotal	Non-controlling equity	
	Share capital	Preferred stocks	Perpetual debts	Others	Capital reserves	Less: Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves				Undistributed profits
I. Prior year ending balance	1,569,135,331.00				1,874,527,535.62	291,465,000.00	-608,522.40	391,234,702.85			2,226,732,690.93	5,769,556,738.00	224,126,180.20	5,993,682,918.20
Add: Accounting policy changes														
Prior year error correction														
Business combination under common control														
Others														
II. Current year Beginning balance	1,569,135,331.00				1,874,527,535.62	291,465,000.00	-608,522.40	391,234,702.85			2,226,732,690.93	5,769,556,738.00	224,126,180.20	5,993,682,918.20
III. Movement ("-" for decrease)	5,843,700.00			72,174,079.25	353,645,029.24	77,149,935.00	2,747,070.86	115,896,929.68			576,307,084.36	1,049,463,958.39	104,249,051.20	1,153,713,009.59
(I) Total comprehensive income							2,747,070.86				801,955,406.21	804,702,477.07	-1,693,972.92	803,008,504.15
(II) Owners' investment and reduction of capital	5,843,700.00			72,174,079.25	353,645,029.24	77,149,935.00					354,512,873.49	354,512,873.49	105,943,024.12	460,455,897.61
1. Ordinary shares invested by owners	5,843,700.00				73,920,294.00	77,149,935.00					2,614,059.00	2,614,059.00	91,500,000.00	94,114,059.00
2. Capital injected by holders of other equity instruments														
3. Amount of share payment credited into owners' equity					277,524,277.88						277,524,277.88	277,524,277.88		277,524,277.88
4. Others				72,174,079.25	2,200,457.36			115,896,929.68			-225,648,321.85	-109,751,392.17	14,443,024.12	88,817,560.73
(III) Profit distribution														
1. Drawing of surplus reserves								115,896,929.68			-115,896,929.68	-115,896,929.68		-109,751,392.17

Item	Current													
	Equity attributable to owners of the Company													
	Other equity instruments													
	Share capital	Preferred stocks	Perpetual debts	Others	Capital reserves	Less: Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Subtotal	Non-controlling equity	Total owners' equity
2. Drawing of general risk reserves														
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Internal carry-over of owners' equity														
1. Conversion of capital reserves into paid-in capital (or share capital)														
2. Conversion of surplus reserves into paid-in capital (or share capital)														
3. Surplus reserves making up for losses														
4. Retained income carried forward from the change in defined benefit plan														
5. Retained income carried forward from other comprehensive income														
6. Others														
(V) Special reserves														
1. Accrued during the year														
2. Utilized during the year														
(VI) Others														
IV. Current year ending balance	1,574,979,031.00			72,174,079.25	2,228,172,564.86	368,614,935.00	2,138,548.46		507,131,632.53		2,803,039,775.29	6,819,020,696.39	328,375,231.40	7,147,395,927.79

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

Item	Equity attributable to owners of the Company													
	Other equity instruments					Prior year								
	Share capital	Preferred stocks	Perpetual debts	Others	Capital reserves	Less: Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Subtotal	Non-controlling equity	Total owners' equity
I. Prior year ending balance . . .	1,547,837,000.00				1,804,321,697.67	57,879,135.00	-3,839,605.65		304,066,577.95		1,764,139,257.53	5,358,645,792.50	34,961,660.80	5,393,607,453.30
Add: Accounting policy changes														
Prior year error correction . . .														
Business combination under common control														
Others														
II. Current year Beginning balance	1,547,837,000.00				1,804,321,697.67	57,879,135.00	-3,839,605.65		304,066,577.95		1,764,139,257.53	5,358,645,792.50	34,961,660.80	5,393,607,453.30
III. Movement ("-" for decrease)	21,298,331.00				70,205,837.95	233,585,865.00	3,231,083.25		87,168,124.90		462,593,433.40	410,910,945.50	189,164,519.40	600,075,464.90
(I) Total comprehensive income							3,231,083.25				750,965,900.34	754,196,983.59	-848,698.32	753,348,285.27
(II) Owners' investment and reduction of capital	21,298,331.00				70,205,837.95	233,585,865.00					-142,081,696.05	-142,081,696.05	191,873,278.58	49,791,582.53
1. Ordinary shares invested by owners	21,298,331.00				68,561,943.65	233,585,865.00					-143,725,590.35	-143,725,590.35	191,873,278.58	48,147,688.23
2. Capital injected by holders of other equity instruments					1,643,894.30							1,643,894.30		1,643,894.30
3. Amount of share payment credited into owners' equity														
4. Others														
(III) Profit distribution									87,168,124.90		-288,372,466.94	-201,204,342.04	-1,860,060.86	-203,064,402.90
1. Drawing of surplus reserves									87,168,124.90		-87,168,124.90			
2. Drawing of general risk reserves														
3. Distribution to owners (or shareholders)											-201,207,125.78	-201,207,125.78	-1,857,277.12	-203,064,402.90
4. Others											2,783.74	2,783.74	-2,783.74	

Item	Prior year													
	Equity attributable to owners of the Company													
	Other equity instruments													
Share capital	Preferred stocks	Perpetual debts	Others	Capital reserves	Less: Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Subtotal	Non-controlling equity	Total owners' equity	
(IV) Internal carry-over of owners' equity														
1. Conversion of capital reserves into capital (or share capital)														
2. Conversion of surplus reserves into capital (or share capital)														
3. Surplus reserves making up for losses														
4. Retained income carried forward from the change in defined benefit plan														
5. Retained income carried forward from other comprehensive income														
6. Others														
(V) Special reserves														
1. Accrued during the year														
2. Utilized during the year														
(VI) Others														
IV. Current ending balance	1,569,135,331.00				1,874,527,535.62	291,465,000.00	-608,522.40	391,234,702.85		2,226,732,690.93	5,769,556,738.00	224,126,180.20	5,993,682,918.20	

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Chief Financial Controller:

Head of the Accounting Department:

Sunwoda Electronic Co., Ltd.
THE COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY
For the Year Ended 31 December 2020
(All amounts expressed in RMB unless otherwise stated)

Item	Other equity instruments				Current					Total owners' equity	
	Share capital	Preferred stocks	Perpetual debts	Others	Capital reserves	Less: Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves		Undistributed profits
I. Prior year ending balance	1,569,135,331.00				2,417,914,709.58	291,465,000.00			391,234,702.85	2,829,541,186.92	6,916,360,930.35
Add: Accounting policy changes											
Prior year error correction											
Others											
II. Current year Beginning balance	1,569,135,331.00				2,417,914,709.58	291,465,000.00			391,234,702.85	2,829,541,186.92	6,916,360,930.35
III. Movement	5,843,700.00			72,174,079.25	351,444,571.88	77,149,935.00			115,896,929.68	933,320,974.92	1,401,530,320.73
(I) Total comprehensive income										1,158,969,296.77	1,158,969,296.77
(II) Owners' investment and reduction of capital	5,843,700.00			72,174,079.25	351,444,571.88	77,149,935.00					352,312,416.13
1. Ordinary shares invested by owners	5,843,700.00				73,920,294.00	77,149,935.00					2,614,059.00
2. Capital injected by holders of other equity instruments											
3. Amount of share payment credited into owners' equity					277,524,277.88						277,524,277.88
4. Others				72,174,079.25							72,174,079.25

Item	Share capital			Other equity instruments				Current				Total owners' equity	
	Share capital	Preferred stocks	Perpetual debts	Others	Capital reserves	Less: Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits			
(III) Profit distribution . . .													
1. Drawing of surplus reserves									115,896,929.68	-225,648,321.85			-109,751,392.17
2. Profit distributed to owners (or shareholders)									115,896,929.68	-115,896,929.68			
3. Others													
(IV) Internal carry-over of owners' equity													
1. Conversion of capital reserves into capital (or share capital)													
2. Conversion of surplus reserves into capital (or share capital)													
3. Surplus reserves making up for losses													
4. Retained income carried forward from the change in defined benefit plan													
5. Retained income carried forward from other comprehensive income													
6. Others													
(V) Special reserves													
1. Accrued during the year													
2. Utilized during the year													
(VI) Others													
IV. Current year ending balance	1,574,979,031.00			72,174,079.25	2,769,359,281.46	368,614,935.00			507,131,632.53	3,762,862,161.84			8,317,891,251.08

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Chief Financial Controller: Head of the Accounting Department:

Item	Other equity instruments				Prior year						
	Share capital	Preferred stocks	Perpetual debts	Others	Capital reserves	Less: Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Prior year ending balance	1,547,837,000.00				2,347,708,871.63	57,879,135.00			304,066,577.95	2,246,235,188.58	6,387,968,503.16
Add: Accounting policy changes											
Prior year error correction											
Others											
II. Current year Beginning balance . .	1,547,837,000.00				2,347,708,871.63	57,879,135.00			304,066,577.95	2,246,235,188.58	6,387,968,503.16
III. Movement ("-" for decrease)	21,298,331.00				70,205,837.95	233,585,865.00			87,168,124.90	583,305,998.34	528,392,427.19
(I) Total comprehensive income										871,681,249.02	871,681,249.02
(II) Owners' investment and reduction of capital	21,298,331.00				70,205,837.95	233,585,865.00					-142,081,696.05
1. Ordinary shares invested by owners . .	21,298,331.00				68,561,943.65	233,585,865.00					-143,725,590.35
2. Capital injected by holders of other equity instruments . .											
3. Amount of share payment credited into owners' equity											
4. Others					1,643,894.30						1,643,894.30
(III) Profit distribution . .									87,168,124.90	-288,375,250.68	-201,207,125.78
1. Drawing of surplus reserves									87,168,124.90	-87,168,124.90	
2. Profit distributed to owners (or shareholders)										-201,207,125.78	-201,207,125.78
3. Others											

Item	Other equity instruments			Prior year							
	Share capital	Preferred stocks	Perpetual debts	Others	Capital reserves	Less: Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
(IV) Internal carry-over of owners' equity. . . .											
1. Conversion of capital reserves into capital (or share capital)											
2. Conversion of surplus reserves into capital (or share capital)											
3. Surplus reserves making up for losses.											
4. Retained income carried forward from the change in defined benefit plan											
5. Retained income carried forward from other comprehensive income											
6. Others.											
(V) Special reserves											
1. Accrued during the year											
2. Utilized during the year											
(VI) Others											
IV. Current year ending balance.	1,569,135,331.00				2,417,914,709.58	291,465,000.00			391,234,702.85	2,829,541,186.92	6,916,360,930.35

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Chief Financial Controller:

Head of the Accounting Department:

Sunwoda Electronic Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB unless otherwise stated)

1. GENERAL INFORMATION

1.1 Company overview

Sunwoda Electronic Co., Ltd. (hereinafter referred to as the “Company”) is a joint stock company changed from a limited company on October 15, 2008 with the approval from Shenzhen Administration for Industry and Commerce, and the approval from shareholders’ meeting of the Company. Registration number of its business license is 440306102879581. In April 2011, the Company issued RMB ordinary shares to the public as approved by the China Securities Regulatory Commission with the Document (Zheng Jian Xu Ke [2011] No. 481) and got listed in Shenzhen Stock Exchange on April 13, 2011.

As at 31 December 2020, the Company has issued a total of 1,574,979,000 shares with registered capital of RMB1,574,979,000. Its registration place is Section A and Section B of 1st Floor and 2nd Floor, Section D of 2nd Floor, and 9th Floor of Multi-functional Building, No. 2, Yihe Road, Shilong Community, Shiyan Subdistrict, Baoan District, Shenzhen; while its headquarter is located at No. 2, Yihe Road, Shilong Community, Shiyan Subdistrict, Baoan District, Shenzhen.

The Company’s principal business covers: software development and sales; laboratory tests and technical consulting service of lithium-ion batteries, storage batteries and accumulator batteries; industry development; domestic business, material supply and marketing industry; import and export of goods and technologies; property lease; ordinary freight. R&D, manufacturing and sales of batteries, chargers, precision molds, precision injection, instrument and apparatus, industrial equipment, automation equipment and production lines; R&D, manufacturing and sales of electronic products; R&D, manufacturing and sales of power battery system, storage batteries and energy storage system.

Ultimate beneficial owners of the Company are Wang Mingwang and Wang Wei.

The financial statements have been approved and authorized for issue by Board of Directors of the Company on [●], 2022.

1.2 Scope of the consolidated financial statements

Subsidiaries included in the consolidation scope as at 31 December 2020 are as follows:

Names of subsidiaries

Shenzhen Xinwei Electronic Co., Ltd. (“Xinwei Electronic”)
Xinwei (Hong Kong) Electronic Co., Ltd. (“Xinwei Hong Kong”)
Sunwoda Huizhou New Energy Co., Ltd. (“Huizhou New Energy”)
Sunwoda Electrical Technology Co., Ltd. (“Sunwoda Electrical”)
Shenzhen PTL Testing Technology Co., Ltd. (“PTL”)
Shenzhen Qianhai Hongsheng Technology Co., Ltd. (“Qianhai Hongsheng”)
Dongguan Liwinon Energy Technology Co., Ltd. (“Dongguan Liwinon”)
Shenzhen Sunwoda Integrated Energy Services Co., Ltd. (“Integrated Energy”)
Shenzhen Sunwoda Intelligent Technology Co., Ltd. (“Sunwoda Intelligent Technology”)
Shenzhen Sunwinon Electronic Co., Ltd. (“Shenzhen Sunwinon”, formerly named “Shenzhen Sunwoda Intelligent Hardware Co., Ltd.”)

Names of subsidiaries

Shenzhen Xinxiangrong Entrepreneurship Services Co., Ltd. (“Xinxiangrong”)
Shenzhen Sunynn Technology Co., Ltd. (“Shenzhen Sunynn”)
Shenzhen Xindong Energy Technology Co., Ltd. (“Shenzhen Xindong Energy”)
Shenzhen Sunwoda Property Management Co, Ltd. (“Sunwoda Property”)
Zhejiang Sunwoda Electronic Co., Ltd. (“Zhejiang Sunwoda”)
Zhejiang Xindong Energy Technology Co., Ltd. (“Zhejiang Xindong Energy”)
Huizhou Liwinon New Energy Technology Co., Ltd. (“Huizhou Liwinon”)
Superstar (Shenzhen) Automation Co., Ltd. (“Superstar”)

Subsidiaries indirectly controlled by the Company included in the consolidation scope as at 31 December 2020 are as follows:

Names of subsidiaries

Sunwoda Financing Lease Co., Ltd. (“Financing Lease Company”)
Sunwoda Europe GmbH (“Germany Subsidiary”)
Sunwoda Electronic India Private Limited (“India Subsidiary”)
Sinaean Electronic Co., Limited (“Sinaean Electronic”)
Santo Electronic Co., Limited (“Santo Electronic”)
Sunwoda Electric Vehicle Battery Co., Ltd. (“Sunwoda Electric Vehicle Battery”)
Sunwoda Huizhou Electric Vehicle Battery Co., Ltd. (“Huizhou Electric Vehicle Battery”)
Sunwoda (Liuzhou) New Energy Co., Ltd. (“Sunwoda Liuzhou”)
Sunwoda (Putian) New Energy Co., Ltd. (“Sunwoda Putian”)
Sunwoda Huizhou Power New Energy Co., Ltd. (“Power New Energy”)
Nanjing Sunwoda New Energy Co., Ltd. (“Nanjing Sunwoda”)
Xinneng Nanjing Energy Technology Co., Ltd. (“Xinneng Technology”)
Huizhou Sunwoda Intelligent Industry Co., Ltd. (“Huizhou Intelligent Industry”)
Shenzhen Qianhai Dianjin Factoring Co., Ltd. (“Dianjin Factoring”)
Shenzhen Yisheng Investment Co., Ltd. (“Yisheng Investment”)
Shenzhen Green Energy Technology Co., Ltd. (“Green Energy”)
Huizhou Winone Precision Technology Co., Ltd. (“Winone Precision”)
Winone Precision (HK) Co., Limited (“Winone HK”)
Winone Precision Technology India Private Limited (“Winone India”)
Dongguan Hongsheng Technology Co., Ltd. (“Dongguan Hongsheng Technology”)
Haixi Yueshan Membrane Separation Technology Co., Ltd. (“Haixi Yueshan Membrane”)
Yuzhou Yuke PV Power Co., Ltd. (“Yuke PV”)
Qinghai Sunwoda New Energy Co., Ltd. (“Qinghai New Energy”)
Huizhou Sunwinon Electronic Co, Ltd. (“Huizhou Sunwinon”, formerly named “Huizhou Sunwoda Intelligent Hardware Co., Ltd.)
Dongguan Sunwoda Intelligent Hardware Co., Ltd. (“Dongguan Intelligent Hardware”)
Hunan Sunwinon Electronic Co., Ltd. (“Hunan Sunwinon”)
Shenzhen Xinwei Intelligence Co., Ltd. (“Xinwei Intelligence”)
Huizhou Xinwei Intelligent Technology Co., Ltd. (“Huizhou Xinwei Intelligent”)
Sunsaint Electronic Co., Limited (“Sunsaint Electronic”)
Hunan Sunynn Technology Co., Ltd. (“Hunan Sunynn”)
Huizhou Xindong Energy Technology Co., Ltd. (“Huizhou Xindong Energy”)
Huizhou Liwinon Electronics Technology Co., Ltd. (“Huizhou Liwinon Electronics”)
Dongguan Liwinon Electronics Technology Co., Ltd. (“Dongguan Liwinon Electronics”)
Zhejiang Liwinon Energy Technology Co., Ltd. (“Zhejiang Liwinon”)
Shenzhen Huaxin Zhilian Software Technology Co., Ltd. (“Huaxin Zhilian”)
Superstar Automation Hong Kong Limited (“Superstar Hong Kong”)

For details of the relevant information of subsidiaries of the Company, please refer to “7. Interests in other entities”.

For details of the changes in the scope of consolidation, please refer to “6. Changes in the scope of consolidation”.

2. BASIS OF PREPARATION

2.1 Basis of preparation

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises — Basic Standards — general principles and specific accounting standards*, issued by the Ministry of Finance, the *Accounting Standards for Business Enterprises — Application Guidelines*, the *Accounting Standards for Business Enterprises — Interpretations* and other relevant provisions of regulations (hereafter collectively referred to as “Accounting Standards for Business Enterprises”), and with reference to the disclosure requirements set out in the *Preparation of Information Disclosure of Companies Issuing Public Shares No.15-General Requirements for Financial Reports* issued by the China Securities Regulatory Commission.

2.2 Going concern

The financial statements are prepared on a going concern basis.

There is no events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern in the next 12 months. The financial statements of the Company are prepared on a going concern basis.

2.3 New Accounting Standards adopted for the first time during reporting periods

Standard adopted for the first time for 2019

In 2017, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 — Hedge Accounting (collectively hereinafter referred to as the “New Financial Instruments Standards”) and the Circular on the Transitional Measures Related to the Implementation of the Accounting New Financial Instruments Standards (Cai Kuai [2017] No. 20) (“the Circular”), which came into effect on 1 January 2019. The Company and its subsidiaries (the “Group”) has adopted these standards for the first time in the 2019 financial statements. Pursuant to the New Financial Instruments Standards and the Circular, for financial instruments that have not been derecognized at the date of initial implementation, previous recognition and measurement that are inconsistent with the requirements of the revised standard should be adjusted retrospectively.

Standard adopted for the first time for 2020

In 2017, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No. 14 — Revenue (the “New Revenue Standard”), which came into effect on 1 January 2020. The Group adopted this standard for the first time in the 2020 financial statements.

Changes in significant accounting policies and their impact are detailed in Note 3.32.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Notes to detailed accounting policies and accounting estimates:

Following disclosure covers detailed accounting policies and accounting estimates which are made according to the actual production and operation of the Company. See Note “3”, “3.25 Revenue”, and “Concrete principles” for details.

3.1 Statement on compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance, which truly and completely present the financial position of the consolidated and company's as at 31 December 2019 and 2020, and the consolidated and company's financial performance and cash flows for the years then ended.

3.2 Accounting period

The fiscal year is from January 1 to December 31.

3.3 Operating cycle

Operating cycle of the Company is 12 months.

3.4 Reporting currency

RMB is adopted as the reporting currency of the Company.

3.5 Business combinations

Business combinations under the common control: assets and liabilities obtained by the combining party from business combination (including the goodwill raised from the ultimate controller's acquisition of the combined party) are measured at the carrying amount of the assets and liabilities of the combined party in the consolidated financial statements of the ultimate controller on the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is applied to the capital reserves to adjust the share premium, or applied to retained earnings if the capital reserves is not sufficient to absorb the difference.

Business combination not under common control: combination costs are fair value, on the date of acquisition, of any assets acquired, any liabilities incurred or assumed, and any equity securities issued by the acquirer, in exchanges for the right of control over the acquirees.

The difference by which the combination cost exceeds the fair value of the net identifiable assets acquired from the acquiree is recognized as goodwill. If the combination cost is lower than the fair value of the net identifiable assets acquired from the acquiree, the difference is recorded in profit or loss for the current period. The acquiree's identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured at their fair values on the date of acquisition.

Directly related expenses for the business combination are recorded in the profit or loss upon occurrence. Transaction costs for issuance of equity securities or debt securities for business combination are included in the initial measurement of equity securities or debt securities.

3.6 Consolidated financial statements

3.6.1 The scope of consolidation

The scope of consolidated financial statements is determined based on control, and the consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control means that the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

3.6.2 Procedures for consolidation

The Company treated the enterprise group as a whole and prepares the consolidated financial statements according to consistent accounting policies to reflect the financial position, operating results and cash flows of the group. All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. In the event of the impairment loss of relevant assets

in the internal transactions, the loss shall be fully recognized. The accounting policies and accounting period adopted by subsidiaries included in the scope of consolidation shall be the same as those of the Company; if inconsistent, necessary adjustments shall be made according to the Company's accounting policies and accounting period in the preparation of the consolidated financial statements.

The subsidiaries' shareholders' equity, net profit or loss of the period, and the portion in their comprehensive income not attributable to the Company are presented separately as non-controlling interests, net profit attributable to non-controlling interests, and total comprehensive income attributable to non-controlling interests in the consolidated financial statements under equity, net profits and total comprehensive income, respectively. If the losses of non-controlling shareholders of a subsidiary exceed the shares attributable to the non-controlling shareholders at the beginning of the owner's equity in the subsidiary, the balance shall be offset against the non-controlling equity.

(1) Increase of subsidiaries or business

During the reporting period, for the increased subsidiaries or business due to business combination under common control, operating results and cash flows from the beginning to the ending of the consolidation period are included in the consolidated financial statements. Meanwhile, opening balances in the consolidated financial statements and relevant items in comparative statements are adjusted accordingly, as if the reporting entity after the business combination continuously exists at the time when the ultimate controller has the control power.

If control can be exercised on the investee under the common control for additional investment or other reasons, for the equity investments held before the control is obtained, the related profits and losses, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the acquirer and the acquiree are under the common control to the combination date, will be adjusted to the retained earnings or profit or loss in the comparative statements respectively.

During the reporting period, for the increased subsidiaries or business from the business combination not under common control, various identifiable assets, liabilities and contingent liabilities, determined on the date of acquisition based on their fair value, are recorded in the consolidated financial statements since the date of acquisition.

If the control can be exercised on the investee not under common control due to additional investment or other reasons, the equity held by the acquiree before the date of acquisition is remeasured at the fair value of the equity on the date of the acquisition, and the difference between the fair value and the carrying amount is recognized in the investment income. In the event that the equity of the acquiree held prior to the date of acquisition involves other comprehensive income that can be reclassified into profit or loss in subsequent measurement, the changes in other owners' equity under the equity method shall be transferred to the investment income for the period when the acquisition occurs.

(2) Disposal of subsidiaries

① General method of disposal

If control over a subsidiary is lost due to the disposal of partial equity investment or for any other reason, the remaining equity is remeasured at the fair value at the date when the control is lost; the difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity and the portion of net assets calculated continuously from the acquisition date of the original subsidiaries based on the original shareholding proportion is recognized as investment income for the current period in which the control is lost; and other comprehensive income related to the original subsidiaries' equity investment is transferred into investment income for the period in which the control is lost.

② Disposal of subsidiaries by steps

If the control is lost due to disposal of shares in a subsidiary through multiple transactions, all the terms and conditions of the arrangements and their economic effects shall be considered when accounting for the multiple transactions as a single transaction:

- i. These transactions are entered into at the same time or in contemplation of each other;
- ii. These transactions form a single transaction designed to achieve an overall commercial effect;
- iii. The occurrence of one transaction is dependent on the occurrence of at least one other one transaction;

One transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions. When these transactions of disposing of equity investment in subsidiaries cause loss of control and be deemed as a single transaction, they are accounted for by the Company as a transaction of disposing of subsidiary and losing control; however, the difference between the accumulated disposal considerations before loss of control and the Company's share of the net assets of the subsidiary is recognized as other comprehensive income in the consolidated financial statements, and is transferred into profit or loss upon loss of control.

If the disposal of equity investment in subsidiaries and other transactions until the control loses are not a single transaction, then before the control loses, the stipulations of partial disposal of equity investments without losing control will apply; if the control loses, general accounting method for the disposal of subsidiaries will govern.

(3) *Acquisition of non-controlling interests of subsidiary*

The share premium in the capital reserves under the consolidated balance sheet is adjusted at the difference between the long-term equity investment acquired by the Company for the acquisition of non-controlling equities and the share of net assets calculated continuously from the date of acquisition (or date of combination) according to the newly acquired proportion. Retained earnings are adjusted if share premium is insufficient.

(4) *Partial disposal of equity investments in subsidiaries without loss of control*

Share premium of capital reserves in the consolidated balance sheet is adjusted according to the difference between the disposal considerations of the corresponding disposed proportion and the share of net assets of subsidiaries calculated from the date of acquisition (or the date of combination); Retained earnings are adjusted if share premium is insufficient.

3.7 Classification of joint venture arrangements and accounting treatment

Joint venture arrangements are classified into joint operation and joint venture.

Joint operation is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognized the following items related to interest shares in the 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 output by the joint operation; and
- (5) its expenses, including its share of any expenses incurred jointly.

See Note “5.10 Long-term equity investment” for the equity method the Company adopts for calculation of its investment in joint ventures.

3.8 Recognition criteria of cash and cash equivalents

The term “cash” refers to the cash on hand and the unrestricted deposit of the Company, while “cash equivalents” refer to the short-term and highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.9 Foreign currency transactions and translation of foreign currency financial statements

3.9.1 Foreign currency transactions

Foreign currency transactions are translated at the spot exchange rate on the transaction date and be accounted for at RMB.

The balance of foreign currency monetary items as at the balance sheet date are translated at the spot exchange rate on the balance sheet date and the exchange differences arising therefrom shall be included in profit or loss, except for those exchange differences arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified for capitalization that will be capitalized at the borrowing expenses.

3.9.2 Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rates on the balance sheet date. The equity items, excluding “retained profits”, are translated using the spot exchange rates at the dates the transactions take place; Revenue and expense items in the income statement are translated at the spot exchange rates on the dates when the transactions occur.

For disposal of overseas operation, the translation difference of foreign currency financial statements relating to overseas operations is included in current profit or loss from the item of owners’ equity.

3.10 Financial instruments

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

3.10.1 Classification of financial instruments

Accounting policy applicable since 1 January 2019

According to the business model of the Company in managing financial assets and the features of contract cash flow of financial assets, financial assets, upon initial recognition, are classified into: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive incomes, and the financial assets measured at fair value through current profit or loss.

The Company classifies the financial assets that meet the following conditions and are not designated to be measured at fair value through current profit or loss as the financial assets measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

The Company classifies the financial assets that meet the following conditions and are not designated to be measured at fair value through current profit or loss as the financial assets (debt instrument) measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the equity instrument investment not held for trading, the Company, determines whether to designate it as the financial assets (equity instruments) measured at fair value through other comprehensive income upon initial recognition. It is determined based on the single investment which meets the definition of equity instrument from the perspective of the issuer.

Except for the above financial assets measured at amortized cost and at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value through profit or loss. At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Company may irrevocably designate the financial assets that should be measured at amortized cost or at fair value through other comprehensive income as those measured at fair value through profit or loss.

At initial recognition, the financial liabilities can be classified as those measured at fair value through profit or loss and those measured at amortized cost.

Financial liabilities meeting one of the following conditions can be designated as those measured at fair value through profit or loss upon initial recognition:

- ① It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- ② A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.
- ③ The financial liabilities include the embedded derivatives that need to be separated.

Accounting policy applicable before 1 January 2019

Financial assets and financial liabilities, upon initial recognition, are classified as: the financial assets or financial liabilities measured at fair value through current profit or loss, including trading financial assets or financial liabilities, the financial assets or financial liabilities directly designated to be measured at fair value through current profit or loss, the held-for-maturity investment; the receivables, the available-for-sale financial assets; other financial liabilities, etc.

3.10.2 Recognition basis and measurement methods of financial instruments

Accounting policy applicable since 1 January 2019

① Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, creditor's rights investment, etc., which are initially measured at its fair value minus relevant transaction costs that are directly attributable to the acquisition of the financial asset; the accounts receivables that do not include significant financing components and those that the Company decides not to take financing components into consideration for no more than one year are initially measured at the contract transaction price.

The interest calculated by the effective interest method during the holding period is included in profit or loss.

At the time of recovery or disposal, the difference between the consideration obtained and the carrying amount of the financial asset shall be recorded in profit or loss.

② Financial assets (debt instruments) measured at fair value through other comprehensive incomes

Financial assets (debt instruments) measured at fair value through other comprehensive incomes shall include receivables financing and other creditor's rights investment, etc., which are initially measured at fair value minus relevant transaction cost that are directly attributable to the acquisition of financial assets. The financial assets are subsequently measured at fair value, and the changes thereof are included in other comprehensive income other than the interest calculated by the effective interest method, impairment loss or gain and exchange loss or gain. At derecognition, the accumulated gains or losses previously included in comprehensive income are transferred out from other comprehensive income and recorded in profit or loss.

③ *Financial assets (equity instruments) measured at fair value through other comprehensive income*

Financial assets (equity instruments) measured at fair value through other comprehensive income include other equity instrument investments, which are initially measured at fair value minus relevant transaction costs that are directly attributable to the acquisition of financial assets. The financial assets are subsequently measured at fair value, and the changes thereof are included in other comprehensive income. Moreover, the dividends received are included in profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred out from other comprehensive income and recorded in retained earnings.

④ *Financial assets measured at fair value through profit or loss*

Financial assets measured at fair value through profit or loss include financial assets held for trading, derivative financial assets and other non-current financial assets, which are initially measured at fair value with the relevant transaction costs included in profit or loss. The financial assets are subsequently measured at fair value through profit or loss.

⑤ *Financial liabilities measured at fair value through profit or loss*

Financial liabilities measured at fair value through profit or loss include the financial liabilities held for trading and derivative financial liabilities, which are initially measured at fair value with relevant transaction costs included in profit or loss. The financial liabilities are subsequently measured at fair value through profit or loss.

At derecognition, the difference between the carrying amount and the consideration paid is recorded in profit or loss.

⑥ *Financial liabilities measured at amortized cost*

Financial liabilities measured at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, which are initially measured at fair value with relevant transaction costs included in the initially measurement.

The interest calculated by the effective interest method during the holding period is included in profit or loss.

At derecognition, the difference between the consideration paid and the carrying amount of the financial liability shall be included in profit or loss.

Accounting policy applicable before 1 January 2019

① *Financial assets (financial liabilities) measured at fair value through current profit or loss*

Financial assets (financial liabilities) measured at fair value through current profit or loss are initially recognized at fair values by the Company at the time of acquisition (deducting cash dividends that have been declared but not distributed or the bond interest that has matured but not been drawn). Relevant transaction costs are included in current profit or loss.

The interests or cash dividends to be received during the holding period are recognized as investment income, and the changes in fair values will be included in current profit or loss at the end of the period.

Upon disposal, the difference between the fair value and initially received amount is recognized as investment income, while the profits or losses from changes in fair value will be adjusted at the same time.

② *Held-to-maturity investments*

The Company initially recognizes the held-to-maturity investments at the sum of fair values (less the bond interest that has matured but not been drawn) and relevant transaction costs when acquired.

During the holding period, interest income is recognized as investment income based on the amortized cost and effective interest rate. The effective interest rates are determined upon acquisition and remain unchanged during the expected remaining period, or a shorter period if applicable.

Upon disposal, the difference between the purchase price obtained and the book value of the investment is included in investment income.

③ *Receivables*

For creditor's rights receivable arising from external sales of goods or rendering of service by the Company and other creditor's rights of other enterprises excluding liability instruments quoted in an active market which are held by the Company, including accounts receivable, other receivables and others, the initial recognition amount shall be the contract price or agreement price receivable from purchasing party; for those with financing nature, they are initially recognized at their present values.

Upon recovery or disposal, the difference between the purchase price obtained and the book value of the receivables is recognized in current profit or loss.

④ *Available-for-sale financial assets*

They are initially recognized at the fair value and related transaction expenses upon acquisition (net of cash dividends declared but not yet paid or bond interest due but not yet received).

The interest or cash dividend obtained during the holding period is recognized as investment income. At the end of the period, measurement is carried out at fair value and changes in fair value are recognized in other comprehensive income. However, for an equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, and for derivative financial asset linked to the said equity instrument investment and settled by delivery of the same equity instrument, they shall be measured at cost.

Difference between the proceeds and the book value of the financial assets is recognized as investment income upon disposal; meanwhile, amount of disposal corresponding to the accumulated change in fair value which is originally and directly included in other comprehensive income shall be transferred out and recognized as the current profit or loss.

⑤ *Other financial liabilities*

They are initially recognized at fair value plus related transaction costs and subsequently measured on the basis of post-amortization costs.

3.10.3 Derecognition and transfer of financial assets

The Company derecognize a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- The financial assets have been transferred, and almost all the risks and rewards on the ownership thereof have been transferred to the transferee;

- The financial assets have been transferred, and the Company does not retain control of the financial assets, although it has neither transferred nor retained almost all the risks and rewards on the ownership of the financial assets.

When a financial asset is transferred, it shall not be derecognized if all the risks and returns on the ownership thereof have been retained substantially.

In determining whether the transfer of a financial asset meets the above derecognition condition of financial assets, the principle of substance over form will be prevail.

The Company shall differentiate the transfer of a financial asset into the transfer of the entire financial assets and the transfer of partial financial assets, and treat them respectively pursuant to these Standards. Where the transfer of the entire financial asset meets the de-recognition conditions, the difference between the amounts of the following two items will be included in profit or loss:

- (1) The carrying amount of the financial asset transferred;
- (2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (the financial assets involving transfer are the financial assets (debt instruments) measured at fair value through other comprehensive incomes).

If the transfer of partial financial asset satisfies the derecognition criteria, the overall carrying amount of the financial asset transferred shall be split into the derecognized and recognized part according to their respective fair value, and the difference between the amounts of the following two items shall be included in the profit or loss:

- (1) The book value carrying amount of derecognized part;
- (2) The sum of the consideration for the derecognized part and the accumulated amount of the changes in fair value originally and directly included in owners' equity (the financial assets involving transfer are the financial assets (debt instruments) measured at fair value through other comprehensive incomes) of the corresponding portion of derecognition.

If the transfer of a financial asset does not meet the derecognition criteria, the financial asset shall continue to be recognized, and the consideration received will be recognized as a financial liability.

3.10.4 Derecognition criteria of financial liabilities

Where the present obligations of financial liabilities (or a part thereof) have been discharged, the financial liability (or a part thereof) is derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Where financial liabilities (or a part thereof) are derecognized, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities borne) will be recognized in profit or loss.

If the Company repurchases a part of a financial liability, the Company shall allocate the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized shall be recognized in profit or loss.

3.10.5 Method of determining the fair value of financial assets and financial liabilities

For the financial instruments with an active market, the Company determines their fair value based on the quotation in the active market. For the financial instruments without an active market, the Company determines their fair value using valuation techniques. In the valuation process, the Company adopts the valuation technology that is applicable to the current situation and has sufficient available data and other supportable information, selects the input value consistent with the characteristics of assets or liabilities considered by market participants in the transaction of relevant assets or liabilities, and gives priority to the use of relevant observable input values as far as possible, or uses the relevant unobservable input value when the relevant observable input value cannot be obtained or is not feasible to obtain.

3.10.6 Test methods and accounting treatment methods for impairment of financial assets

The Company takes all reasonable and supportable information into consideration, including forward-looking information, to estimate the expected credit loss of the financial assets measured at amortized cost and the financial assets (debt instruments) measured at fair value with other comprehensive income in a single or combined way. The measurement of expected credit loss depends on whether there is a significant increase in credit risk of the financial assets since initial recognition.

If the credit risk of this financial instrument is obviously increased since the initial recognition, the Company will measure the loss allowance based on the amount equivalent to the lifetime expected credit loss of the financial instrument; if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company will measure its loss allowance based on the amount equivalent to the 12-month expected credit losses. The accrual or reversal amount of the loss allowance shall be included in the profit and loss as the impairment loss or gain.

Generally, if the financial instrument is overdue for 30 days, the Company considers that the credit risk thereof has increased significantly, unless there is a conclusive evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of the financial instrument on the balance sheet date is low, the Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition.

Where there is a conclusive evidence that a financial asset has suffered credit impairment, the Company makes provision for impairment of the financial asset individually.

(1) Notes receivables

The credit risk of the bill acceptor is identified as the common risk characteristics. As such, bill acceptors of notes obtained by the Company are divided into financial institutions and other enterprises. The Company measures the provision at an amount equal to the expected credit loss for the entire duration, whether or not it contains a significant financing component.

(2) Accounts receivable

If there is objective evidence that credit loss has occurred for an account receivable, provisions for doubtful accounts should be provided and the expected credit loss should be recognized.

Where the expected credit loss of a single financial asset cannot be assessed at a reasonable cost, the Company will divide the accounts receivable group according to the credit risk characteristics and calculate the expected credit loss on the basis of the grouping.

Groups	Basis to determine provision
Aging analysis groups	Accrue expected credit losses on the basis of aging
Groups within the scope of consolidation	No provision will be provided.

Except for these receivables due from related parties within the scope of consolidation, the remaining receivables are classified as aging groups.

Based on the actual credit losses occurred in prior years, the Company assesses that there is a correlation between the probability of default and aging, which was identified an indicator of whether the credit risk of the Company's accounts receivable has increased significantly. Accordingly, credit risk losses are measured on an aging basis and expected credit losses taking forward-looking information into consideration, are measured as follows accounting estimates:

Aging	Proportion of expected credit losses
	(%)
Within 6 months (including 6 months)	
6 months to 1 year (including 1 year)	5.00
1-2 years (including 2 years)	10.00
2-3 years (including 3 years)	30.00
Over 3 years	100.00

(3) Other receivables

Provisions are made for other receivables according to the following circumstances: 1) For financial assets whose credit risk has not increased significantly since the initial recognition, the Company provides provisions according to the amount of expected credit loss in the next 12 months; 2) For the financial assets whose credit risk has increased significantly since the initial recognition, the Company provides provisions according to the amount equivalent to the expected credit loss of the financial instrument during its entire lifetime; 3) For the financial assets purchased or originated from which credit loss has occurred, the Company provides provisions according to the amount equivalent to the expected credit loss in the entire duration.

Group-based assessment. For other receivables, the Company could not obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at the level of a single instrument, and it is feasible to evaluate whether credit risk increases significantly on the grouping. Therefore, the nature of customers or the age of account is identified as the common risk characteristics by the Company. Other receivables are grouped and considered on a group basis to assess whether credit risk has increased significantly.

The specific method of impairment loss of other receivables shall refer to the above expected credit loss accounting estimation of receivables.

(4) Long-term receivables

Long-term receivables mainly comprise receivables generated from finance lease and receivables generated from business activities such as sales of goods and service with financing nature, which are collected by stages in deferred mode. The Company has elected to measure its provision for long-term receivables at an amount equal to the expected credit loss for the entire duration.

3.11 Inventories

3.11.1 Classification and cost of inventories

Inventories are classified into: raw materials, work in process, finished goods, goods in transit, semi-finished products and consumables, etc. Inventories are initially measured at cost, including purchase cost, processing cost and other expenses to make inventories in the current location with the current status.

3.11.2 Measurement method of inventories cost

Cost is determined using the weighted average method.

3.11.3 Basis for net realizable values of inventories of different categories

Net realizable values are determined at the estimated selling prices minus the estimated selling expenses and relevant taxes and surcharges for merchandise inventories held directly for sale, including finished goods, stock commodities and materials for sale; Net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges for material inventories that need further processing; for inventories held to execute sales contract or service contract, net realizable values are calculated on the basis of contract price. If the quantity of the inventory held exceeds that ordered in the sales contract, the net realizable value of the excess part of the inventory shall be calculated on the basis of the general sales price. The provisions for decline in the value of inventory reserve are made on an individual basis at the end of each period; for inventories with large quantities and relatively low unit prices, the provisions for decline in the value of inventory reserve are made on a category basis. For inventories related to the product groups manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to be separated from other items for measurement purposes, the provisions for decline in the value of inventory reserve are made on the grouping basis.

Unless that there is clear evidence that the market price is abnormal on the balance sheet date, the net realizable value of inventory items shall be recognized at the market price on the balance sheet date.

The net realizable value of inventory items as at the end of this year is determined based on the market price on the balance sheet date.

3.11.4 Inventory count system

The perpetual inventory system is adopted.

3.11.5 Amortization methods for low-cost consumables and packaging materials

- (1) One-off amortization method is adopted for low-value consumables;
- (2) One-off amortization method is adopted for packaging materials.

3.12 Contract assets

Accounting policies since 1 January 2020

3.12.1 Recognition of contract assets

The Company recognizes the contract assets or liabilities in the balance sheet based on the stipulated performance obligation and customer payment in the contract. The right of the Company to receive consideration for the goods transferred by or the services provided by the customers (and such rights depends on factors other than the time lapse) is recognized as contract assets. Contract assets and liabilities under the same contract are presented on the net basis. The Company's right to collect consideration from customers unconditionally (only depending on the time lapse) is presented separately as account receivables.

3.12.2 Recognition of the expected credit loss of contract assets

Please refer to "3.10.6 Test method and accounting treatment method of impairment of financial assets" '(2) Account receivables' for the recognition of the expected credit loss of contract assets.

3.13 Assets held for sale

A non-current asset or disposal group is classified as assets held for sale when its carrying amount is recovered mainly through sale (including the exchange of non-monetary assets with commercial substance) rather than continuous use.

The Company recognizes the non-current assets or disposal groups that meet all the following conditions as assets held for sale:

- 3.13.1 The non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group;
- 3.13.2 The sales is likely to occur, that is, the Company has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year. In addition, the Company has acquired approval of local authority or supervision department, if necessary.

Non-current assets that meet the recognition criteria for held for sale are recognized at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognized as asset impairment losses.

3.14 Long-term equity investment

3.14.1 Criteria for 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. Where the Company exercises joint control over the investee together with other parties and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

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

3.14.2 Recognition of initial investment cost

(1) Long-term equity investments acquired from business combination

For the long-term equity investment in subsidiaries acquired by business combination under the common control, its initial investment cost shall be the shares of the carrying amount of the owner's equity in the combination in the consolidated financial statements of the ultimate controller on the combination date, the equity premium in the capital reserve shall be adjusted according to the difference between the initial investment cost of long-term equity investment and the carrying amount of the consideration paid; when the equity premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the Company can exercise control over the investee under common control as a result of additional investment or other reasons, the difference between the initial investment cost of long-term equity investments recognized subject to the above principle and the sum of carrying amount of long-term equity investments before the combination plus the carrying amount of consideration paid for additional shares shall be used to adjust stock premium. Retained earnings are adjusted if there is no sufficient stock premium.

For the long-term equity investment in subsidiaries obtained through business combination not under the common control, its initial investment cost shall be recognized at the combination cost recognized on the date of acquisition. If the Company can exercise control over the investee not under common control as a result of additional investment or other reasons, the carrying amount of the equity investment previously held plus the cost of additional investment shall be measured as the initial investment cost.

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

For a long-term equity investment acquired through cash payments, investment initial cost is measures at the actually paid amount.

For a long-term equity investment acquired by issuing equity securities, its initial investment cost is the fair value of the issued equity securities.

3.14.3 Subsequent measurement and recognition of profits or losses

(1) Long-term equity investments accounted under the cost method

Long-term equity investments of the Company in subsidiaries shall be accounted under the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the investment income in the period when the cash dividends or profits are declared by the investee.

(2) Long-term equity investments accounted under the equity method

The Company's long-term equity investments in associates and joint ventures are accounted using the equity method. If the initial cost exceeds the share of the fair value of the investee's identifiable net asset to which the Company shall be entitled when investing, the initial cost of the long-term equity investment will not be adjusted. If the initial cost of a long-term equity investment is lower than the share of the fair value of the investee's identifiable net asset to which the Company shall be entitled when investing, the difference shall be included in profit or loss.

The Company shall recognize the investment income and other comprehensive income and adjust the carrying amount of the long-term equity investments respectively according to the shares of net profits and losses and other comprehensive income realized by the investee which the Company shall enjoy or bear; carrying amount of the long-term equity investments should bereduced if profits or cash dividends are

declared and distributed by the investee correspondingly; for other changes in owner's equity of the investee other than net profit and loss, other comprehensive income and profit distribution, the Company adjusts the carrying amount of long-term equity investments and records such changes in the owners' equity.

When recognizing the attributable share of net profit or loss of the investee, the Company shall recognize its attributable share of the net profit or loss of the investee after the adjustment according to the Company's accounting policy and accounting period based on the fair value of identifiable net asset of the investee obtained. When holding the investment, the investee should prepare the consolidated financial statements, which shall account for the investment income based on the net profit, other comprehensive income and the changes in other owner's equity attributable to the investee.

The profit and loss of the internal transactions that are not realized will be eliminated at the proportion shares attributable to the Company, and the investment income will be recognized accordingly unless the output or sold assets constitute business. If the losses from internal transactions between the Company and the investee suffered assets impairment loss, the full amount of impairment loss shall be recognized.

The net loss incurred by the Company in the joint ventures or associates shall be written down to zero subject to the carrying amount of the long-term equity investment and other long-term equity substantially constituting the net investment in the Joint Ventures or Associates, in addition to the additional losses undertaken. If a joint venture or an associate realizes net profit in the following years, the Company shall resume to recognize its share of income after using the share of incomes to make up for the unrecognized loss.

(3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the carrying amount and the actual consideration shall be included into profit or loss.

When the Company disposes of the long-term equity investment measured under the equity method, and the remaining equity is still accounted under the equity method, other comprehensive income accounted and recognized by the original equity method shall be carried forward according to corresponding proportion on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto, and other changes in owner's equity shall be carried forward to the profit or loss proportionately.

If the joint control or significant influence over the investee is lost for disposing of equity investments or other reasons, as to other comprehensive income recognized based on measurement of the original equity investment under the equity method, accounting treatment will be made on the same basis as would be required if the investee directly disposed of assets or liabilities related thereto when the equity method is terminated to use, while other changes in owner's equity shall be transferred to the profit or loss when the equity method confirmed is no longer used.

Where the Company loses the control over the investee due to disposal of partial equity investments or other reasons, if the Company owned still can exercise joint control or significant influence on the investee at preparation of the individual financial statements, such investments should be changed to be accounted for under the equity method and the remaining equity should be deemed to be adjusted upon acquisition, then the other comprehensive income that is recognized before acquisition of the control over the investee will be carried forward on the same basis as would be required if the investee directly disposed of assets or liabilities related thereto, while other changes in owner's equity recognized due to the use of equity method shall be transferred to the profit or loss proportionally; if the remaining equity cannot exercise joint control or significant influence on the investee, such equity will be recognized as a

financial asset, then the difference between fair value and carrying amount on the date of loss of the control should be included in the profit or loss, and other comprehensive incomes recognized before the acquisition of the control right over the investee and the changes in owners' equity will be carried forward in full.

When transactions of disposing of the equity investment in subsidiaries resulting in loss of control are deemed as a single transaction, they are accounted for as a transaction of disposing of the equity investment in subsidiaries and losing control; however, the difference between each disposal consideration before loss of control and the carrying amount of the long term equity investment shall be firstly recognized as other comprehensive income in the individual financial statement and then transferred into profit or loss upon loss of control. If transactions are not a single transaction, each transaction shall be accounted for separately.

3.15 Fixed assets

3.15.1 Recognition criteria of fixed assets

Fixed assets refer to the tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
and
- (2) The costs of the fixed asset can be measured reliably.

Fixed assets are initially measured at cost (in consideration of the effect of the expected asset retirement expense).

Subsequent expenditures related to fixed assets shall be included in the cost of fixed assets when the economic benefits related thereto are likely to flow into the Company and their costs can be reliably measured; for the replaced part, the carrying amount shall be derecognized; and all other subsequent expenses shall be included in the loss or profit upon occurrence.

3.15.2 Depreciation method

Depreciation of the fixed assets is made on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. For the fixed assets with provision for impairment, their depreciation shall be determined in the future according to the carrying amount after deduction of the provision for impairment and the remaining useful lives. Where various components of fixed assets are different in useful lives or bring economic benefits for the enterprise in different ways, the Company should choose different depreciation rates or methods to separately provide for depreciation.

The depreciation of fixed assets acquired under financing lease is consistent with the policies for the self-owned fixed assets. When it is able to reasonably determine the ownership of the leased assets upon expiry of lease term, the depreciation shall be made within the life span of the leased asset. If being unable to reasonably determine the ownership of the leased assets upon expiry of lease term, the depreciation shall be made within a shorter period between the lease term and the useful life of the leased assets.

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of fixed assets are as follows:

Category	Depreciation method	Depreciation life (year)	Residual value rate	Annual depreciation rate
			(%)	(%)
Houses and buildings	Straight-line method	20-40	5	2.38-4.75
Machinery equipment	Straight-line method	5-10	5	9.50-19.00
Electronic equipment	Straight-line method	2-5	5	19.00-47.50
Transportation facilities	Straight-line method	3-5	5	19.00-31.67
Other equipment	Straight-line method	2-20	5	4.75-47.50
Fixed assets acquired under financing leases				
Including: machinery equipment	Straight-line method	10		10.00
Fixed assets leased back after sale				
Including: machinery equipment	Straight-line method	10		10.00
Electronic equipment	Straight-line method	5		20.00

3.15.3 Recognition of fixed assets acquired under financial lease

Assets acquired under financing leases are recognized where the lease agreement signed by the Company with the leases specifies one of the following conditions:

- (1) Upon the expiration of the lease term, the ownership of the leased asset will be transferred to the Company;
- (2) The Company has the option to purchase the asset and the purchase price is far lower than the asset's fair value at the time of the option being exercised;
- (3) The lease term covers most of the useful life of the leased asset;
- (4) There is no large difference between the present value of the minimum lease payments on the lease commencement date and the fair value of the asset.
- (5) The leased asset is of special nature, which can be used by the lessee only if no major transformation happens.

On the lease commencement date, a fixed asset acquired under financing lease is measured at the asset's fair value or the present value of the minimum lease payment, whichever is the lower. The minimum lease payment is recorded as the long-term payables, and the difference between them is deemed as the unrecognized financing expenses.

3.15.4 Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

3.16 Construction in progress

Construction in progress is measured at its actual cost, including the construction cost, installation cost, borrowing cost meeting the capitalization conditions and other necessary expenses incurred before the construction in progress reaches the expected conditions for use. The construction in progress is converted into fixed assets after it reaches the expected conditions for use.

3.17 Borrowing costs

3.17.1 Capitalization of borrowing costs

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

Assets meeting the capitalization requirements mainly comprise fixed assets, investment properties and inventories, etc. which need to be purchased, constructed or produced for a long time to be available for intended use or sale.

3.17.2 Capitalization period of borrowing costs

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

Capitalization shall commence when all the following conditions are satisfied:

- (1) Asset disbursements, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have already incurred;
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale status.

3.17.3 Period of suspension for capitalization

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach their intended use or sale status, the borrowing costs should continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the profit or loss and continue to be capitalized until the acquisition, construction or production of the asset restarts.

3.17.4 Measurement of capitalization ratio and capitalized amounts of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowings actually incurred in the current period less the interest income from undrawn borrowings deposited in the bank or investment income from temporary investment should be recognized as the capitalization amount of borrowing costs.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

During the period of capitalization, the exchange difference of the principal and interest of foreign currency special loans shall be capitalized and included in the cost of assets meeting the conditions of capitalization, while the exchange differences arising from the principal and interest of other foreign currency loans other than the said foreign currency special loans are included in the profit or loss.

3.18 Intangible assets

3.18.1 Valuation method of intangible assets

(1) *The Company initially measures intangible assets at cost on acquisition.*

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges as well as other directly attributable expenditures incurred to prepare the assets for their intended use.

(2) *Subsequent measurement*

The useful lives of the intangible assets are analyzed and determined on their acquisition.

The intangible assets with definite useful lives shall be amortized within the period during which they can bring economic benefits to the Company. If the period when the intangible assets generate economic benefit for Company cannot be forecasted, the intangible assets shall be deemed as those with indefinite useful life and shall not be amortized.

3.18.2 Estimation of useful lives of intangible assets with limited useful lives

<u>Item</u>	<u>Estimated useful lives</u>	<u>Amortization method</u>	<u>Basis</u>
Land use right	40-70	Straight-line method	Validity term of land use certificate
Software	5-10	Straight-line method	Useful life
Patent rights	10	Straight-line method	Estimated useful life

The useful life and amortization method of intangible assets with definite useful lives should be reviewed at the end of each year.

3.18.3 Determination basis of intangible assets with indefinite useful lives and procedure for review of useful lives

The useful life of intangible assets with indefinite useful lives shall be reviewed at the end of each period.

Upon the review, the Company has no intangible assets with indefinite useful lives as at the end of the year.

3.18.4 Specific criteria of classification into the research phase and the development phase

The Company’s expenditures for its internal research and development projects are classified into research expenditures and development expenditures.

The research phase: the phase when creative and planned investigations and research activities are conducted to acquire and understand new scientific or technological knowledge.

The development phase: the phase when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

3.18.5 Specific criteria for capitalization of expenditures at the development phase

Expenditures arising from the research phase are included into current profit or loss upon occurrence. Expenditures arising from development phase are recognized as intangible assets when the Company can satisfy all of the following criteria, otherwise, they are included into current profit or loss.

- (1) It is feasible technically to prepare intangible assets for use or sale;
- (2) It is intended to finish the use or sales of the intangible asset;
- (3) The ways whereby the intangible asset generates economic benefits, are able to prove that there is a potential market for the products manufactured by applying this intangible asset or that there is a potential market for the intangible asset itself; if the intangible asset is used internally, its usefulness shall be proved;
- (4) With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible asset, and able to use or sell the intangible asset; and
- (5) The expenditures attributable to the intangible assets during their development phase can be reliably measured.

Expenditures for research and development which cannot be determined to occur in the research phase or development phase are included in profit or loss.

3.19 Long-term assets impairment

Where there are indications of impairment on long-term equity investments, fixed assets, construction in progress, intangible assets with definite use lives, oil and gas assets and other long-term assets on the balance sheet date, impairment test should be made. If the results of impairment test indicate that the recoverable amounts of the assets are lower than their carrying amount, the provision for impairment is made based on the differences, which are recognized as impairment losses. The recoverable amounts of intangible assets are the higher of their fair values less the sales cost and the present values of the future cash flows expected to be derived from the assets. The provision for assets impairment is calculated and recognized by the individual asset. If it is difficult to estimate the recoverable amounts of intangible amount of an individual asset, the Company shall estimate the recoverable amount of the asset group that the individual asset belongs to. The asset group is the minimum asset group that can independently generate the cash inflow.

Goodwill formed by business combination, the intangible assets with indefinite useful lives and intangible assets that still cannot be used shall be subject to impairment test at least once at the end of each period.

The Company conducts impairment tests for goodwill. The carrying amount of goodwill arising from a business combination is allocated to the relevant assets group in a reasonable way since the acquisition date; where it is difficult to be allocated to the relevant assets group, it will be allocated to the relevant combination of assets groups. The relevant assets group or combination of assets group can be benefited from the synergy effects of business combination.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups related to the goodwill may be impaired, the Group shall firstly conduct an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant carrying amount to recognize the corresponding impairment loss. Then the Company shall conduct an impairment test on the assets groups or combinations of assets groups containing

goodwill, and compare their carrying amount with the recoverable amount. Where the recoverable amount is lower than the carrying amount, the amount of impairment loss shall be firstly used to offset and be apportioned to the carrying amount of the asset groups or combination of asset groups containing goodwill, and then offset the carrying amount of other assets in proportion according to the proportion of the carrying amount of other assets in the asset groups or combination of asset groups except goodwill.

The above losses from asset impairment shall not be reversed in subsequent accounting periods once they are recognized.

3.20 Long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year.

3.20.1 Amortization method

Long-term deferred expenses are evenly amortized over the beneficial period.

3.20.2 Amortization years

- (1) The improvement expenses for fixed assets shall be amortized at the remaining useful life of fixed assets;
- (2) Other expenses shall be evenly amortized at benefit years from 3 to 10 years.

3.21 Contract liabilities

Accounting policies since 1 January 2020

The Company presents contract assets or liabilities in the balance sheet according to the relationship between performance obligation and customer payment. The Company's obligation to transfer goods or provide services to customers for the consideration received or receivable from customers is presented as a contract liability. The contract assets and liabilities under the same contract are presented on a net basis separately.

3.22 Employee benefits

3.22.1 Accounting treatment of Short-term employee benefits

The short-term employee benefits actually occurred are recognized as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

The social insurance and the housing funds burdened by the Company for its employees, together with the labor union expenditures and employee education expenses drawn as required are used to calculate and determine the relevant employee benefits based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

The employee welfare expenses of the Company are recorded in the profit or loss or related asset costs on the basis of the actual amount upon occurrence, of which the non-monetary welfare are measured at its fair value.

3.22.2 Accounting treatment of post-employment benefits

(1) Defined contribution plan

Pursuant to the relevant laws and regulations of the People's Republic of China, the Company participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organizations. The Company makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Besides, enterprise annuity payment plan/supplementary endowment plan are established with approval of the relevant government department. A certain proportion of the total wages of its employees and the corresponding expenditure is contributed to the plan and included in the profit or loss or relevant asset costs.

(2) Defined benefit plan

The Company regards the period of welfare obligation generated from the defined contribution plan according to the formula confirmed by the anticipated welfare unit law as the period of rendering service of its employees, and records the contribution into profit or loss or related asset costs.

The deficit or surplus formed after the present value of the defined benefit plan obligation deducts the fair value of the defined benefit plan is recognized as a net liability or net asset. If the Company has a surplus of the defined benefit plan, the Company shall define the lower value between the surplus of the defined benefit plan and the upper limit of asset as the net asset of the defined benefit plan.

All the obligations of defined benefit plans, including the payment obligation which is predicted to fulfill in 12 months after ending of the Annual Report of the period for rendering service of employees, shall be discounted according to the market yields of treasury bonds which match the currency and period of the benefit plan or the high quality company bonds on the active market on the balance sheet day.

The cost of service generated by the defined benefit plan and the net interest of net liabilities or net assets under the rated benefit plan are included in profit or loss or related capital cost; the net liabilities of the defined benefit plan which is re-measured or the changes arising from the net assets are included into other comprehensive incomes, and will not be returned to profit or loss during the subsequent accounting period. Upon expiry of the original defined benefit plan, the parts which were formally included in the other comprehensive incomes shall be carried over to the undistributed profit. Upon settlement of the defined benefit plan, the difference between the present value of the defined benefit plan and the settlement price confirmed on the settlement day is confirmed as settlement profit or loss.

3.22.3 Accounting treatment of termination benefits

The Company provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Company recognizes a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Company cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Company recognizes costs or expenses for a restructuring that involves the payment of termination benefits.

3.23 Provisions

A provision is recognized for an obligation related to a contingency when:

- (1) The obligation is a present obligation of the Company;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation; and

(3) The amount of the obligation can be estimated reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

Best estimate shall be treated as follows in different circumstances:

If there is a continuous range (or interval) for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimates will be determined at the average amount of upper and lower limits within the range.

If there is no continuous range (or interval) for the necessary expenses, or probabilities of occurrence of all the outcomes within this range are unequal despite such a range exists, in case that the contingency involves a single item, the best estimate shall be determined at the most likely outcome; if the contingency involves two or more items, the best estimates should be determined according to all the possible outcomes with their relevant probabilities.

When all or part of the expenses necessary for the settlement of provisions of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain to be received. The compensation recognized shall not exceed the carrying amount of provisions.

The Company's provisions mainly comprise comprehensive after-sale service fees for automotive power batteries. The Company is responsible for the maintenance of the sold products during the after-sales service period agreed in the contract clauses of power battery system and energy storage system, no matter how the market price index fluctuates. The company recognizes provisions based on the best estimate of the maximum possible loss.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.24 Share-based payments

The Company grants equity instruments or undertakes equity-instrument-based liabilities in exchange for services from employees or other parties. The share-based payments of the Company consist of equity-settled share-based payments and cash-settled share-based payments.

3.24.1 The equity-settled share-based payment and equity instruments

The equity-settled share-based payment in return for services from employees shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to an equity-settled share-based payment, if the right can be exercised only when the services within the vesting period come to an end or until the prescribed performance conditions are met, then the services obtained in the current period shall be included in the relevant cost or expenses based on the best estimates of the equity instruments with exercisable rights on each balance sheet date within the vesting period, and capital reserves shall be added accordingly.

If the terms of the equity-settled share-based payments were modified, the services received shall be recognized at least in accordance with the unmodified terms. Moreover, the modification of fair value of equity instruments granted from any increase, or beneficial changes to the employee on the modification date shall be recognized as increases in services obtained.

If the equity instrument granted is canceled during the vesting period, it shall be handled as accelerated vesting, and the amount to be recognized during the vesting period shall be included in current profit or loss and capital reserves shall be recognized at the same time. However, if new equity instruments are granted, which are recognized as the replacement of the canceled equity instrument on the grant date, the granted equity instrument for replacement shall be handled in the same way with the disposal of revision of terms and conditions on the original equity instrument.

3.25 Revenue

Accounting policy since 1 January 2020

3.25.1 Accounting policies adopted for revenue recognition and measurement

The Company recognizes revenue when it has fulfilled the performance obligation stipulated in the Contract, that is, the customer obtains the right of control over the relevant goods or services. The right of control over relevant goods or services means the domination of the use of the goods or services and acquisition of almost all the economic benefits therefrom.

Where a contract has two or more performance obligations, the Company determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Company recognizes as revenue 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 promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company determines the transaction price in accordance with the terms of the contract and in combination with its past practices, and takes into account the influence of variable consideration, significant financing components in the contract, non-cash consideration, and consideration payable to customers, etc. The Company recognizes the transaction price only to the extent that it is highly 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. Where the contract contains a significant financing component, the Company recognizes the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortized using an effective interest method over the contract term. The Company satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the customer can control the asset created or enhanced during the Company's performance; or
- the Company's performance does not create an asset with an alternative use to it and the Company has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Company recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Company recognizes revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indicators:

- The Company has the present right to receive payment for the goods or services, that is, the customer has the present obligation for paying the goods or services.
- The Company has transferred the legal ownership of goods to the customer, that is, the customer has owned the legal ownership of the goods.
- The Company has transferred the physical possession to the customer, that is, the customer has possessed the goods.
- The Company has transferred the substantial risks and rewards on ownership of the goods to customer, that is, the customer has acquired the substantial risks and rewards on ownership of the goods.
- The customer has accepted the goods or services, etc.

3.25.2 Recognition criterion of sales revenue and the concrete judgment standard of revenue recognition

- (1) Domestic sales: when the goods are delivered to the customer and the customer has accepted the goods, it is deemed that the customer has obtained the right of control over the goods, and the Company recognizes the revenue accordingly.
- (2) Export sales: The company generally adopts the operation management mode of Vendor Managed Inventory (hereinafter referred to as “VMI”). Revenue is recognized at the point when the customer picks up and accepts goods in the VMI warehouse, which is deemed that the control has been transferred and the performance obligation has been fulfilled. For a small part of customers in the export business, the revenue is recognized upon the completion of export declaration.

Accounting policies prior to 1 January 2020

3.25.1 General recognition principles for revenue from sales of goods

- (1) The Company has transferred the substantial risks and rewards of ownership of the goods to the buyer;
- (2) The Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;
- (3) The amount of revenue can be measured reliably; and
- (4) The related economic benefits are likely to flow into the Company; and
- (5) The relevant costs that have occurred or will occur can be measured reliably.

3.26 Contract costs

Accounting policies since 1 January 2020

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labor, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Assets recognized for the incremental costs of obtaining a contract and assets recognized for the costs to fulfil a contract (the “assets related to contract costs”) are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- 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 that relate directly to providing those goods or services that have not yet been recognised as expenses.

If the factors of impairment in the previous period change later, as a result, the above difference is higher than the carrying amount of the asset, the Company shall reserve the originally provided impairment and include it in the profit or loss, but the carrying amount of the asset after reversal shall not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

3.27 Government subsidy

3.27.1 Type

Government subsidies refer to the monetary and non-monetary assets obtained by the Company from the government free of charge, classified into asset-related government subsidies and income-related government subsidies.

Asset-related government subsidies refer to those obtained by the Company for the purposes of purchase, construction or acquisition of the long-term assets, while the remaining subsidiaries are income-related government subsidies.

Specific criteria for the Company to divide subsidies into asset-related government subsidies are as follows: government documents have specified the use of the funds, and the expected use direction of such funds is expected to obtain relevant long-term assets.

The specific criteria of the Company to divide subsidies into income-related subsidies are: government documents have not specified the use of the funds, and the expected use direction of such funds is expected to supplement the current funds.

Where government documents do not clearly define subsidy objects, the judgment basis for the Company to divide subsidies into asset-related government subsidy or income-related government subsidy are as follows: such government subsidies are included in the profit or loss except that those designated by the Company to relate to the asset.

3.27.2 Time of recognition

Government subsidies shall be recognized when

- (1) The enterprise can meet all attached conditions of government subsidies;
- (2) The enterprise can receive government subsidies.

Specific time of recognition:

The government subsidies allocated according to the fix quota standard: recognized as government subsidies according to amount receivable.

Other government subsidies: recognized as government subsidies when they are actually received.

3.27.3 Accounting treatment

The assets-related government subsidies shall be used to compensate the carrying amount of related assets or be recognized as deferred income. The government subsidies which are recognized as deferred incomes shall be separately included in the profit or loss in the rational and systematic way within the useful lives of related assets (the government subsidies related to the daily activities of the Company are included in other incomes, otherwise, they are included in the non-operating income).

The income-related government subsidies which are used to compensate the Company's relevant expenses or losses in future periods are recognized as deferred income and included in the profit or loss of current period of recognition of relevant expenses or losses (the government subsidies related to the daily activities of the Company are included in other incomes, otherwise, they are included in the non-operating income) or used to offset relevant cost or loss. The government subsidies used to compensate the relevant cost or loss that the Company has occurred are directly included in profit or loss (the government subsidies related to the daily activities of the Company are included in the other incomes, otherwise, they are included in the non-operating income) or used to offset the relevant cost or loss.

The policy loans with preferential interest rate benefited by the Company is classified into two scenarios and shall be treated respectively:

- (1) If interest subsidies are received by a bank from government and the bank provides loans to the Company with the preferential interest rate, the loan actually received by the Company is regarded as initial recognition amount of the loan, and relevant loan expense shall be calculated according to the loan principal and the preferential interest rate.
- (2) If interest subsidies are received by the Company from government, the Company will deduct relevant loan cost from the corresponding subsidy.

3.28 Deferred tax assets and deferred tax liabilities

Income tax includes current income tax and deferred income tax. Current income tax and deferred income tax are recognized in profit or loss except for the income tax arising from business combination or transactions or events directly recorded in owner's equity (including other comprehensive income).

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the difference (temporary difference) between the tax basis and accounting basis of assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be carried forward to subsequent periods, deferred tax assets arising therefrom are recognized to the extent that they shall not exceed the future taxable income probably obtained to offset deductible losses and tax credits.

Taxable temporary differences are recognized as deferred tax liabilities except in special circumstances.

Special circumstances for not recognizing the deferred tax assets or deferred tax liabilities include:

- The initial recognition of goodwill;
- Other transactions or events excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

Deferred tax liabilities shall be recognized for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless the Company can control the time of reversal of the temporary differences and the temporary differences are not likely to reverse in the foreseeable future. For the deductible temporary differences related to the investments in subsidiaries, associates and joint ventures, when the temporary differences are likely to be reversed in the foreseeable future and the Company are likely to obtain the taxable income which can be used to offset the deductible temporary differences in the future.

On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rates for the expected period during which the relevant assets are collected back or relevant liabilities are paid off in accordance with the provisions of the Tax Law.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefits will be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current income tax assets and liabilities shall be presented at the net amount after offset when the Company has a legal right to settle on a net basis and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

On the balance sheet date, deferred tax assets and deferred tax liabilities are presented as the net amount after offset when meeting the following conditions simultaneously:

- The taxpayer has the legal right to settle the current tax assets and current tax liabilities on a net basis;

- Deferred tax assets and deferred tax liabilities are related to the income tax levied on the same taxpayer by the same tax administrative department or are related to different taxpayers, but within each future period of reversal of each significant tax asset and tax liability, the taxpayers involved intend to settle the current tax assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

3.29 Leases

3.29.1 Accounting treatment of operating leases

- (1) Rental fees paid by the Company for leasing asset are amortized at straight-line method over the whole lease period and included in the current expenses. Initial direct costs associated with the lease transaction paid by the Company are included in current expenses.

The expense related to the lease which shall be paid by the Company but is assumed by the lessor shall be deducted from total rental fee, and the residual fee is amortized over the lease period and included in the current expenses.

- (2) The Company's rental income collected for lending out assets are amortized with the straight-line method and recognized as rental related income within the whole lease term including the rent-free period. Initial direct costs related to lease paid by the Company are recorded in current expenses; if the amount is significant initial direct costs are capitalized, and are included in current income by stages within the whole lease period on the same basis for recognition of the lease-related income.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct the amount from the rental income, and amortize the residual over the lease term.

3.29.2 Accounting treatment of financing leases

- (1) Assets acquired under financing leases: At the beginning of the lease period, the lower value between the fair value of the rented assets and the present value of the minimum lease payment on the date of lease commencement is recognized as the carrying amount of the rented assets, and the minimum lease payment is treated as the initial carrying amount of the long term payable, and the difference is recognized as unidentified financing cost. Unrecognized financing cost is amortized during the lease term by the effective interest rate method and included in financial expense. Initial direct costs incurred by the Company are included in the value of leased assets.
- (2) Assets leased under financing leases: At the beginning of the lease period, the Company recognizes the difference between the sum of the financing lease charge receivable and the unsecured balance less the present value as the unrealized financing income, and it is recognized as rental income in the future periods during which rental can be received. The Company's initial direct costs associated with rental transactions are included in the initial measurement of the financing lease receivable and set off the income recognized during the lease term.

3.30 Discontinued operation

A discontinued operation refers to a component that meets any of the following conditions, can be separately identifiable and has been disposed of by the Company or is classified as held for sale by the Company:

- (1) the component represents a separate major line of business or geographical area of operations;

- (2) the component is a part of a single plan to dispose of a separate major line of business or geographical area of operations; or
- (3) the component is a subsidiary acquired exclusively for re-sale.

Profit and loss from continuing operation and those from discontinued operation are presented in the income statement respectively. The operating and disposal profit and loss, such as the impairment loss and reversal amount from discontinued operation are presented as the profit and loss from discontinued operation. For the discontinued operation presented in the current period, the Company presents the information which was originally presented as the profit and loss from continuing operation as the profit and loss from discontinued operation in the current financial statements during the comparable accounting period.

3.31 Segment report

The Company determines the business segments based on its internal organizational structure, management requirements and internal report system, and determines the reportable segment and discloses its information based on the business segments.

The business segments are component parts of the Company that meet the following conditions at the same time: (1) the component part can generate income and expenses in daily activities; (2) the Management of the Company can regularly evaluate the operating results of the component part to determine the allocation of resources and evaluation of its performance; (3) the Company could summarize the financial status, the operating results, cash flows and other relevant accounting information of the component part. The two or more business segments with similar economic characteristics and meeting certain conditions can be combined into one business segment.

3.32 Changes in significant accounting policies and accounting estimates

3.32.1 Changes in significant accounting policies

(1) Implementation of New Financial Instruments Standard

The Company will adjust the accumulated impact of retroactive adjustment to the retained earnings and other comprehensive income at the beginning of the year.

Based on the ending balance of the previous year which is adjusted according to regulations of Cai Kuai [2019] No. 6 and Cai Kuai [2019] No. 16, the main impact of the Company's implementation of the above new financial instrument standards is as follows:

Contents and reasons of changes in accounting policies	Procedures of examination and approval	Name and amount of the influenced item in financial statements	
		Consolidation	The Company
(1) Partial "receivables" are reclassified into "financial assets (debt instruments) measured at fair value through other comprehensive incomes"	Review of the Board Meeting	Notes receivable: decrease by RMB28,101,039.74; receivables financing: increase by RMB28,101,039.74	Notes receivable: decrease by RMB23,398,052.21; receivables financing: increase by RMB23,398,052.21

Contents and reasons of changes in accounting policies	Procedures of examination and approval	Name and amount of the influenced item in financial statements	
		Consolidation	The Company
(2) Investment of available-for-sale equity instrument is reclassified into "financial assets measured at fair value through current profit or loss" . . .	Review of the Board Meeting	Available-for-sale financial assets: decrease by RMB173,297,121.18; other non-current financial assets: increase by RMB173,297,121.18	Available-for-sale financial assets: decrease by RMB125,666,063.04; other non-current financial assets: increase by RMB125,666,063.04
(3) Due to changes of items in the statements, the "financial liabilities measured at fair value through current profit and loss" is reclassified into "trading financial liabilities"	Review of the Board Meeting	Financial liabilities measured at fair value through current profit and loss: decrease by RMB36,260,000.00; trading financial liabilities: increase by RMB36,260,000.00	Financial liabilities measured at fair value through current profit and loss: decrease by RMB36,260,000.00; trading financial liabilities: increase by RMB36,260,000.00

Based on the ending balance of the previous year after adjustment subject to the regulations of Cai Kuai [2019] No. 6 and Cai Kuai [2019] No.16, all kinds of financial assets and financial liabilities are classified and measured as follows according to the provisions of the Standards confirmed after and before adjustment of the New Financial Instruments Standard:

Consolidation

Former Financial Instruments Standard			New Financial Instruments Standard		
Items presented	Category	Book value	Items presented	Category	Book value
Cash and cash equivalents	Amortized cost	3,544,202,144.00	Cash and cash equivalents	Amortized cost	3,544,202,144.00
Financial assets measured at fair value through current profit or loss	Measured at fair value through current profit or loss		Trading financial assets	Measured at fair value through current profit or loss	
Derivative financial assets	Measured at fair value through current profit or loss		Derivative financial assets	Measured at fair value through current profit or loss	
Notes receivable	Amortized cost	28,101,039.74	Notes receivable	Amortized cost	
			Receivables investment	Measured at fair value through other comprehensive income	28,101,039.74
Accounts receivable	Amortized cost	4,743,027,753.42	Accounts receivable	Amortized cost	4,743,027,753.42
			Receivable investment	Measured at fair value through other comprehensive income	
Other receivable	Amortized cost	555,967,183.29	Other receivable	Amortized cost	555,967,183.29

Former Financial Instruments Standard			New Financial Instruments Standard		
Items presented	Category	Book value	Items presented	Category	Book value
Held-to-maturity investments (including other current assets) . . .	Amortized cost		Creditor's rights investment (including other current assets)	Amortized cost	
Available-for-sale financial assets (including other current assets) . . .	Measured at fair value through other comprehensive income (debt instrument)		Creditor's rights investment (including other current assets)	Amortized cost	
	Measured at fair value through other comprehensive income (debt instrument)		Other creditor's rights investment (including other current assets)	Measured at fair value through other comprehensive income	
	Measured at cost (equity instrument)	173,297,121.18	Trading financial assets	Measured at fair value through current profit or loss	
			Other non-current financial assets	Measured at fair value through other comprehensive income	
			Other equity instrument investment	Measured at fair value through other comprehensive income	
			Trading financial assets	Measured at fair value through current profit or loss	173,297,121.18
			Other non-current financial assets	Measured at fair value through other comprehensive income	
			Other equity instrument investment	Measured at fair value through other comprehensive income	
Long-term receivables	Amortized cost		Long-term receivables	Amortized cost	
Financial liabilities measured at fair value through current profit or loss	Measured at fair value through current profit or loss	36,260,000.00	Trading financial liabilities	Measured at fair value through current profit or loss	36,260,000.00
Derivative financial liabilities	Measured at fair value through current profit or loss		Derivative financial liabilities	Measured at fair value through current profit or loss	

The Company

Former Financial Instruments Standard			New Financial Instruments Standard		
Items presented	Category	Book value	Items presented	Category	Book value
Cash and cash equivalents	Amortized cost	2,694,045,983.98	Cash and cash equivalents	Amortized cost	2,694,045,983.98
Financial assets measured at fair value through current profit or loss.	Measured at fair value through current profit or loss		Trading financial assets	Measured at fair value through current profit or loss	
Derivative financial assets	Measured at fair value through current profit or loss		Derivative financial assets	Measured at fair value through current profit or loss	
Notes receivable	Amortized cost	23,398,052.21	Notes receivable Receivables financing	Amortized cost Measured at fair value through other comprehensive income	23,398,052.21
Accounts receivable	Amortized cost	6,324,612,828.96	Accounts receivable Receivables financing	Amortized cost Measured at fair value through other comprehensive income	6,324,612,828.96
Other receivables	Amortized cost	2,815,087,217.45	Other receivables	Amortized cost	2,815,087,217.45
Held-to-maturity investments (including other current assets)	Amortized cost		Creditor's rights investment (including other current assets)	Amortized cost	

Former Financial Instruments Standard			New Financial Instruments Standard		
Items presented	Category	Book value	Items presented	Category	Book value
Available-for-sale financial assets (including other current assets) . . .	Measured at fair value through other comprehensive income (debt instrument)		Creditor's rights investment (including other current assets)	Amortized cost	
	Measured at fair value through other comprehensive income (equity instrument)		Other creditor's rights investment (including other current assets)	Measured at fair value through other comprehensive income	
	Measured at cost (equity instrument)	125,666,063.04	Trading financial assets	Measured at fair value through current profit or loss	
			Other non-current financial assets	Measured at fair value through other comprehensive income	
			Other equity instrument investment	Measured at fair value through other comprehensive income	
			Trading financial assets	Measured at fair value through current profit or loss	125,666,063.04
			Other non-current financial assets	Measured at fair value through other comprehensive income	
			Other equity instrument investment	Measured at fair value through other comprehensive income	
Long-term receivables	Amortized cost		Long-term receivables	Amortized cost	
Financial liabilities measured at fair value through current profit or loss.	Measured at fair value through current profit or loss	36,260,000.00	Trading financial liabilities	Measured at fair value through current profit or loss	36,260,000.00
Derivative financial liabilities	Measured at fair value through current profit or loss		Derivative financial liabilities	Measured at fair value through current profit or loss	

(2) *Implementation of New Revenue Standard*

The Company adjusted the amount of retained earnings and other related items in the financial statements at the beginning of 2020 for the cumulative impact of contracts that have not been completed on the first effective date, and did not make any other adjustment to the comparable financial statements. The main impacts of the implementation of the New Revenue Standards are as follows:

Compared with the original standard, the impact on the related items of financial statements in 2020 is as follows (increase/(decrease)):

Affected items	Amounted dated 31 December 2020 which are affected	
	Consolidation	The Company
Advances from suppliers	-357,172,214.72	-236,422,462.13
Contract liabilities	321,286,279.55	213,574,788.25
Other current liabilities	35,885,935.17	22,847,673.88

(3) *Accounting Standards for Business Enterprises No. 13 — Interpretation was implemented.*

In 2017, the Ministry of Finance issued *Accounting Standards for Business Enterprises No. 13 — Interpretation* (Cai Kuai [2019] No. 21, hereinafter referred to as Interpretation No. 13) on 10 December 2019, which began to be implemented since 1 January 2020, and no retroactive adjustment is required.

① Identification of related parties

It is specified in the Interpretation No. 13 that the related parties comprise joint ventures or associates of the Company and other member units of its enterprise group (including the Company and its subsidiaries); joint ventures of the Company and other joint ventures or associates of the Company. In addition, it is also clarified in Interpretation No. 13 that two or more enterprises that are only significantly affected by one party do not constitute related parties, besides, the associates include the associates and their subsidiaries, and joint ventures include the joint ventures and their subsidiaries.

② Definition of business

Interpretation No. 13 has perfected three elements of business constitution, refined the judgment conditions of business constitution, and introduced the selection of “concentrated test” to simplify the judgment on whether the combination not under the common control constitutes a business to a certain extent.

The Company implements Interpretation No. 13 since 1 January 2020, and does not adjust the comparative financial statements. The implementation of Interpretation No. 13 has not had a significant impact on the Company’s financial position and operating results.

3.32.2 Adjustment of the relevant items in the beginning financial statements due to first implementation of the New Accounting Standards for Business Enterprises

Consolidated Balance Sheet

Item	Opening balance	Opening balance after adjustment	Adjustment		
			Reclassification	Re-measurement	Total
Current assets:					
Cash and cash equivalents	4,673,513,601.52	4,673,513,601.52			
Financial assets held for trading .	989,334.42	989,334.42			
Derivative financial assets					
Notes receivable					
Accounts receivable	5,103,567,615.47	5,103,567,615.47			
Receivables financing	83,808,441.45	83,808,441.45			
Advances to suppliers	40,335,163.13	40,335,163.13			
Other receivables	199,249,809.71	199,249,809.71			
Inventories	4,060,961,308.02	4,060,961,308.02			
Contract assets					

Item	Opening balance	Opening balance after adjustment	Adjustment		
			Reclassification	Re-measurement	Total
Assets held for sale.					
Non-current assets due within					
one year	33,474,731.33	33,474,731.33			
Other current assets.	634,848,812.29	634,848,812.29			
Total current assets	14,830,748,817.34	14,830,748,817.34			
Non-current assets:					
Creditor's rights investment . . .					
Other creditor's rights investment					
Long-term receivables					
Long-term equity investments . . .	294,972,343.50	294,972,343.50			
Other equity instrument investment					
Other non-current financial assets.	276,570,643.69	276,570,643.69			
Investment property.					
Fixed assets	4,261,496,053.26	4,261,496,053.26			
Construction in progress	1,165,675,945.41	1,165,675,945.41			
Intangible assets	641,988,916.85	641,988,916.85			
Development expenses					
Goodwill	70,728,600.15	70,728,600.15			
Long-term deferred expenses. . .	809,241,847.25	809,241,847.25			
Deferred tax assets	223,614,729.20	223,614,729.20			
Other non-current assets	1,014,070,237.04	1,014,070,237.04			
Total non-current assets	8,758,359,316.35	8,758,359,316.35			
Total assets	23,589,108,133.69	23,589,108,133.69			
Current liabilities:					
Short-term borrowings	5,558,797,025.26	5,558,797,025.26			
Financial liabilities held for trading	56,020,064.88	56,020,064.88			
Derivative financial liabilities . .					
Notes payable	2,583,340,564.04	2,583,340,564.04			
Accounts payable	5,463,471,583.32	5,463,471,583.32			
Advances from customers	103,114,626.74		-103,114,626.74		-103,114,626.74
Contract liabilities		96,862,494.16	96,862,494.16		96,862,494.16
Employees' benefits payable . . .	346,744,986.15	346,744,986.15			
Taxes and surcharges payable . .	87,449,461.99	87,449,461.99			
Other payables	706,265,669.04	706,265,669.04			
Held-for-sale liabilities					
Non-current liabilities due within					
one year	1,111,969,016.64	1,111,969,016.64			
Other current liabilities.		6,252,132.58	6,252,132.58		6,252,132.58
Total current liabilities	16,017,172,998.06	16,017,172,998.06			
Non-current liabilities:					
Long-term borrowings	812,538,256.25	812,538,256.25			
Bonds payable					
Including: Preferred stocks. . . .					
Perpetual debts					
Long-term payables.	242,437,314.76	242,437,314.76			

Item	Opening balance	Opening balance after adjustment	Adjustment		
			Reclassification	Re-measurement	Total
Long-term employee's benefits payable.					
Provisions	33,730,717.85	33,730,717.85			
Deferred income	448,595,976.26	448,595,976.26			
Deferred tax liabilities	40,949,952.31	40,949,952.31			
Other non-current liabilities . . .					
Total non-current liabilities. . .	1,578,252,217.43	1,578,252,217.43			
Total liabilities	17,595,425,215.49	17,595,425,215.49			
Owners' equity:					
Share capital	1,569,135,331.00	1,569,135,331.00			
Other equity instrument					
Including: Preferred stocks . . .					
Perpetual debts					
Capital reserves	1,874,527,535.62	1,874,527,535.62			
Less: Treasury stocks	291,465,000.00	291,465,000.00			
Other comprehensive income. . .	-608,522.40	-608,522.40			
Special reserves.					
Surplus reserves.	391,234,702.85	391,234,702.85			
General risk reserves					
Undistributed profits	2,226,732,690.93	2,226,732,690.93			
Total equity attributable to owners of the Company . . .	5,769,556,738.00	5,769,556,738.00			
Non-controlling interests	224,126,180.20	224,126,180.20			
Total owners' equity	5,993,682,918.20	5,993,682,918.20			
Total liabilities and owners' equity	23,589,108,133.69	23,589,108,133.69			

The Company's Balance Sheet

Item	Opening balance	Opening balance after adjustment	Adjustment		
			Reclassification	Re-measurement	Total
Current assets:					
Cash and cash equivalents	3,396,885,848.09	3,396,885,848.09			
Financial assets held for trading .	989,334.42	989,334.42			
Derivative financial assets					
Notes receivable					
Accounts receivable	8,197,351,949.31	8,197,351,949.31			
Receivables financing	28,051,318.46	28,051,318.46			
Advances to suppliers	17,067,656.65	17,067,656.65			
Other receivables	3,924,109,566.69	3,924,109,566.69			
Inventories	2,358,458,947.91	2,358,458,947.91			
Contract assets					
Assets held for sale					
Non-current assets maturing					
within one year	320,891,251.01	320,891,251.01			
Other current assets	267,021,729.14	267,021,729.14			
Total current assets	18,510,827,601.68	18,510,827,601.68			
Non-current assets:					
Creditor's right investment					
Other creditor's right investment					
Long-term receivables					
Long-term equity investments . .	3,813,905,765.85	3,813,905,765.85			
Other equity instrument investment					
Other non-current financial assets	166,585,880.69	166,585,880.69			
Investment property					
Fixed assets	1,627,886,070.75	1,627,886,070.75			
Construction in progress	146,961,270.02	146,961,270.02			
Intangible assets	150,362,948.92	150,362,948.92			
Development expenses					
Goodwill					
Long-term deferred expenses . .	170,663,046.00	170,663,046.00			
Deferred tax assets	37,785,991.16	37,785,991.16			
Other non-current assets	232,455,007.59	232,455,007.59			
Total non-current assets	6,346,605,980.98	6,346,605,980.98			
Total assets	24,857,433,582.66	24,857,433,582.66			
Current liabilities:					
Short-term borrowings	5,026,995,285.64	5,026,995,285.64			
Financial liabilities held for trading	56,020,064.88	56,020,064.88			
Derivative financial liabilities . .					
Notes payable	2,479,278,577.96	2,479,278,577.96			
Accounts payable	7,092,580,282.75	7,092,580,282.75			
Advances from customers	65,291,899.43		-65,291,899.43		-65,291,899.43

Item	Opening balance	Opening balance after adjustment	Adjustment		Total
			Reclassification	Re-measurement	
Contract liabilities		63,313,434.67	63,313,434.67		63,313,434.67
Employees' benefits payable . . .	110,805,726.18	110,805,726.18			
Taxes and surcharges payable . .	2,034,031.82	2,034,031.82			
Other payables	1,454,351,516.28	1,454,351,516.28			
Held-for-sale liabilities					
Non-current liabilities maturing within one year	1,013,665,627.11	1,013,665,627.11			
Other current liabilities		1,978,464.76	1,978,464.76		1,978,464.76
Total current liabilities	17,301,023,012.05	17,301,023,012.05			
Non-current liabilities:					
Long-term borrowings	361,080,000.00	361,080,000.00			
Bonds payable					
Including: Preferred stocks . . .					
Perpetual debts					
Long-term payables	207,967,680.25	207,967,680.25			
Long-term employee's benefits payable					
Provisions					
Deferred income	71,001,960.01	71,001,960.01			
Deferred tax liabilities					
Other non-current liabilities . . .					
Total non-current liabilities . . .	640,049,640.26	640,049,640.26			
Total liabilities	17,941,072,652.31	17,941,072,652.31			
Owners' equity:					
Share capital	1,569,135,331.00	1,569,135,331.00			
Other equity instrument					
Including: Preferred stocks . . .					
Perpetual debts					
Capital reserves	2,417,914,709.58	2,417,914,709.58			
Less: Treasury stocks	291,465,000.00	291,465,000.00			
Other comprehensive income. . .					
Special reserves					
Surplus reserves	391,234,702.85	391,234,702.85			
Undistributed profits	2,829,541,186.92	2,829,541,186.92			
Total owners' equity	6,916,360,930.35	6,916,360,930.35			
Total liabilities and owners' equity	24,857,433,582.66	24,857,433,582.66			

4. TAXATION

4.1 Main tax types and tax rates

Tax type	Basis for tax assessment	Tax rate
Value-added tax (VAT) . . .	Output VAT is calculated based on sales revenue of goods and taxable service revenue calculated in accordance with tax laws and VAT payable shall be the difference between the output VAT and input VAT deductible in the same period	3%, 6%, 16%, 13%
Urban maintenance and construction tax	Levied on the basis of VAT and consumption tax paid	5%, 7%
Enterprise income tax . . .	Levied on the basis of taxable income	See the table below

Disclosure to tax rates of taxpayers with different enterprise income tax rates:

Name of taxpayer	Income tax rate
Sunwoda	15%
Xinwei Hong Kong	16.5%
India Subsidiary	22%
Sunwoda Electric Vehicle Battery	15%
Power New Energy	15%
Huizhou Intelligent Industry	15%
Sunwoda Electrical	15%
PTL	15%
Winone Precision	15%
Dianjin Factoring	15%
Dongguan Liwinon	15%
Integrated Energy	15%
Yuke PV	12.5%
Sunwoda Intelligent Technology	15%
Shenzhen Sunwinon	15%
Huizhou Sunwinon	15%
Huizhou Liwinon	15%
Huizhou Liwinon Electronics	15%
Other subsidiaries	25%

4.2 Tax preference

4.2.1 Enterprise income tax

- (1) In 2020, the Company obtained the High-tech Enterprise Certificate (No.: GF202044205286), which is valid for three years. Therefore, the Company enjoys income tax rate at 15% in 2020, 2021 and 2022.
- (2) In 2020, the Company's indirectly holding subsidiary, Sunwoda Electric Vehicle Battery, obtained the High-tech Enterprise Certificate (No.: GR202044201988), which is valid for three years. Therefore, Sunwoda Electric Vehicle Battery enjoys income tax rate at 15% In 2020, 2021 and 2022.

- (3) In 2020, the Company's indirectly holding subsidiary, Power New Energy, applied for the qualification to be a High-tech Enterprise, however, the result has not been yet announced up to the date of Auditor's Report. It is predicted to get the High-tech Enterprise Certificate before "the final settlement and payment of enterprise income tax of 2020", in that case, Power New Energy will enjoy income tax rate tax at 15% in 2020, 2021 and 2022.
- (4) In 2020, the Company's indirectly holding subsidiary, Huizhou Intelligent Industry, obtained the High-tech Enterprise Certificate (No.: GR202044006730), which is valid for three years. Therefore, Huizhou Intelligent Industry enjoys income tax rate at 15% in 2020, 2021 and 2022.
- (5) In 2018, the Company's subsidiary, Sunwoda Electrical, obtained the High-tech Enterprise Certificate (No.: GR201844201412), which was valid for three years. Therefore, Sunwoda Electrical enjoyed income tax rate at 15% in 2018, 2019 and 2020.
- (6) In 2020, the Company's subsidiary, PTL, obtained the High-tech Enterprise Certificate (No.: GR202044201178), which is valid for three years. Therefore, PTL enjoys income tax rate at 15% in 2020, 2021 and 2022.
- (7) In 2020, the Company's indirectly holding subsidiary, Winone Precision, applied for the qualification to be a High-tech Enterprise, however, the result has not been yet announced up to the date of Auditor's Report. It is predicted to get the High-tech Enterprise Certificate before "the final settlement and payment of enterprise income tax of 2020", in that case, Winone Precision will enjoy income tax rate at 15% in 2020, 2021 and 2022.
- (8) The Company's indirectly holding subsidiary, Dianjin Factoring, enjoys the preferential tax policy of Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Business Cooperation Zone, and is levied enterprise income tax at 15%.
- (9) In 2018, the Company's subsidiary, Dongguan Liwinon, obtained the High-tech Enterprise Certificate (No.: GR201844007229), which was valid for three years. Therefore, Dongguan Liwinon enjoyed income tax rate at 15% in 2018, 2019 and 2020.
- (10) In 2018, the Company's subsidiary, Integrated Energy, obtained the High-tech Enterprise Certificate (No.: GR201844200573), which was valid for three years. Therefore, Integrated Energy enjoyed income tax rate at 15% in 2018, 2019 and 2020.
- (11) In accordance with the regulations in Article 1 of *Circular of the State Taxation Administration on Implementing the Preferential Policy of Enterprise Income Tax for Public Infrastructure Project Mainly Supported by the State* (Guo Shui Fa [2009] No. 80), PV power project can enjoy the preferential policy of three years of exemption and three years of halved payment of enterprise income tax in the current period after obtaining the first sum of production and operating revenue. Yuke PV, the Company's indirectly holding subsidiary, enjoys this preferential policy.
- (12) In 2019, the Company's subsidiary, Intelligent Technology, obtained the High-tech Enterprise Certificate (No.: GR201944205009), which is valid for three years. Therefore, Intelligent Technology enjoys income tax rate at 15% in 2019, 2020 and 2021.
- (13) In 2020, the Company's subsidiary, Shenzhen Sunwinon, obtained the High-tech Enterprise Certificate (No.: G202044205334), which is valid for three years. Therefore, Shenzhen Sunwinon enjoys income tax rate at 15% in 2020, 2021 and 2022.

- (14) In 2020, the Company’s indirectly holding subsidiary, Huizhou Sunwinon, applied for the qualification to be a High-tech Enterprise, however, the result has not been yet announced up to the date of Auditor’s Report. It is predicted to get the High-tech Enterprise Certificate before “the final settlement and payment of enterprise income tax of 2020”, in that case, Huizhou Sunwinon will enjoy income tax rate at 15% in 2020, 2021 and 2022.
- (15) In 2019, the Company’s subsidiary, Huizhou Liwinon, obtained the High-tech Enterprise Certificate (No.: GR201844007229), which is valid for three years. Therefore, Huizhou Liwinon enjoys income tax rate at 15% in 2019, 2020 and 2021.
- (16) In 2020, the Company’s indirectly holding subsidiary, Huizhou Liwinon Electronics, applied for the qualification to be a High-tech Enterprise, however, the result has not been yet announced up to the date of Auditor’s Report. It is predicted to get the High-tech Enterprise Certificate before “the final settlement and payment of enterprise income tax of 2020”, in that case, Huizhou Liwinon Electronics will enjoy income tax rate at 15% in 2020, 2021 and 2022.

4.2.2 Valued added tax

- (1) In accordance with the *Announcement of the State Taxation Administration on Releasing the Measures for the Administration of Tax Reduction and Exemption* (State Taxation Administration [2015] No. 43), value-added tax for the software products produced and sold by the taxpayer will be levied in full but refunded a half immediately, and Sunwoda Electrical, the Company’s wholly-owned subsidiary, enjoys this preferential policy.

5. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash on hand	608,695.16	309,038.77
Bank deposit	2,362,202,022.70	1,787,112,088.25
Other cash balances	2,232,560,783.83	2,886,092,474.50
Total	4,595,371,501.69	4,673,513,601.52
Including: total amount of deposit abroad	194,501,271.25	403,333,531.06

Cash and cash equivalents being restricted for use due to mortgage, pledge or freezing, or being placed overseas with restrictions on fund repatriation are listed as follows:

Item	Ending balance	Beginning balance
Bank acceptance deposits	1,564,953,815.99	1,329,189,248.32
Term deposit or notice deposit used for guarantee	165,000,000.00	574,762,000.00
Payment deposit	6,836,761.11	7,518,388.89
L/G deposit	6,127,665.63	20,670,410.46
Pledge loan deposit		953,952,426.83
L/C deposit	489,642,541.10	
Total	2,232,560,783.83	2,886,092,474.50

5.2 Financial assets held for trading

Item	Ending balance	Beginning balance
Financial assets measured at fair value through current profit or loss	10,237,990.02	989,334.42
Including: Derivative financial assets	10,037,990.02	989,334.42
Others	200,000.00	
Total	10,237,990.02	989,334.42

5.3 Accounts receivable

5.3.1 Ageing analysis of accounts receivables

Aging	Ending balance	Beginning balance
Within 1 year		
Within 6 months (including 6 months)	7,264,932,784.84	4,932,385,674.66
6 months-1 year (including 1 year)	99,467,985.07	28,323,915.96
Subtotal within 1 year	7,364,400,769.91	4,960,709,590.62
1-2 years	73,265,232.50	108,592,784.93
2-3 years	83,018,348.22	212,983,695.30
Over 3 years	241,829,567.08	35,874,350.92
Subtotal	7,762,513,917.71	5,318,160,421.77
Less: Provision for doubtful account	254,107,833.23	214,592,806.30
Total	7,508,406,084.48	5,103,567,615.47

5.3.2 Accounts receivable and provisions for doubtful accounts

Category	Ending balance			Beginning balance						
	Original amount		Proportion of provision Amount	Provision for doubtful accounts		Proportion of provision Amount				
	Amount	Proportion (%)		Amount	Proportion (%)					
Accounts receivable subject to individual provision for doubtful accounts	361,065,151.55	4.65	235,604,039.57	65.25	125,461,111.98	344,524,119.89	6.48	198,814,261.24	57.71	145,709,858.65
Including:										
Accounts receivable not individually significant but provision for impairment considered on the individual basis	361,065,151.55	4.65	235,604,039.57	65.25	125,461,111.98	344,524,119.89	6.48	198,814,261.24	57.71	145,709,858.65
Accounts receivable subject to provision for doubtful accounts on the grouping basis	7,401,448,766.16	95.35	18,503,793.66	0.25	7,382,944,972.50	4,973,636,301.88	93.52	15,778,545.06	0.32	4,957,857,756.82
Including:										
Aging analysis group	7,401,448,766.16	95.35	18,503,793.66	0.25	7,382,944,972.50	4,973,636,301.88	93.52	15,778,545.06	0.32	4,957,857,756.82
Total	7,762,513,917.71	100.00	254,107,833.23	7,508,406,084.48	5,318,160,421.77	214,592,806.30	100.00	214,592,806.30	5,103,567,615.47	

Accounts receivable subject to individual provision for doubtful accounts:

Name	Ending balance			Reason for provision
	Carrying amount	Provision for doubtful accounts	Proportion of provision (%)	
Accounts receivable with individually insignificant amount and subject to individual provision for doubtful accounts.	361,065,151.55	235,604,039.57	65.25	It is not expected to collect all or the collection will be late
Total	361,065,151.55	235,604,039.57		

Accounts receivable subject to provision for doubtful accounts on the grouping basis:

Items for provision on the grouping basis:

Name	Ending balance		
	Accounts receivable	Provision for doubtful accounts	Percentage of provision (%)
Aging analysis group			
Including:			
Within 6 months (including 6 months)	7,304,416,753.61		
6 months-1 year (including 1 year)	38,397,264.30	1,919,863.22	5.00
Subtotal within 1 year	7,342,814,017.91	1,919,863.22	0.03
1-2 years (including 2 years)	36,421,795.36	3,641,447.30	10.00
2-3 years (including 3 years)	13,243,528.20	3,973,058.46	30.00
Over 3 years	8,969,424.69	8,969,424.68	100.00
Total	7,401,448,766.16	18,503,793.66	

5.3.3 Provision, reversal or recovery of provision for doubtful accounts in 2020

Category	Beginning balance	Beginning balance after adjustment	Current change			Ending balance
			Provision	Reversal or recovery	Written off	
Individual provision for doubtful accounts	198,814,261.24	198,814,261.24	36,789,778.33			235,604,039.57
Provision for doubtful accounts on the grouping basis	15,778,545.06	15,778,545.06	5,306,433.83		2,581,185.23	18,503,793.66
Total	214,592,806.30	214,592,806.30	42,096,212.16		2,581,185.23	254,107,833.23

5.3.4 Accounts receivable actually written off in 2020

Item	Amount Written Off
Accounts receivable actually written off	2,581,185.23

5.3.5 Top 5 accounts receivable in terms of ending balance presented by debtors

The total top 5 accounts receivable in terms of balance presented by debtors as at 31 December 2020 was RMB3,930,121,016.17, accounting for 50.63% of the balance of accounts receivable as at 31 December 2020, and the corresponding ending balance of provision for doubtful accounts was RMB0.

5.3.6 Derecognized accounts receivable due to transfer of financial assets

Item	Amount derecognized	Way of transfer of financial assets	Gains or losses related to derecognition
Accounts receivable	320,869,131.35	Sell the financial assets without any claim right	
Total	320,869,131.35		

5.4 Receivables financing

5.4.1 Receivables financing

Item	Ending balance	Beginning balance
Notes receivable	321,122,653.88	83,808,441.45
Total	321,122,653.88	83,808,441.45

5.4.2 Movement in receivables financing

Item	Beginning balance	Additions during the year	Derecognized amount	Other change	Ending balance	Accumulative loss provision recognized in other comprehensive incomes
Notes receivable	83,808,441.45	2,990,380,631.38	2,753,066,418.95		321,122,653.88	
Total	83,808,441.45	2,990,380,631.38	2,753,066,418.95		321,122,653.88	

5.4.3 Notes receivable endorsed or discounted by the Company at the end of the year and not yet due on the balance sheet day

Item	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptance	522,045,901.85	
Total	522,045,901.85	

5.5 Advances to suppliers

5.5.1 Aging analysis of advances to suppliers

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	58,785,110.66	88.27	28,501,365.80	70.66
1-2 years	6,030,811.00	9.06	10,005,254.89	24.81
2-3 years	349,539.03	0.52	606,552.16	1.50
Over 3 years	1,428,485.68	2.15	1,221,990.28	3.03
Total	66,593,946.37	100.00	40,335,163.13	100.00

5.5.2 Top five advances to suppliers

The top five advances to suppliers amounted to RMB11,445,765.71, accounting for 17.19% of total balance as at 31 December 2020.

5.6 Other receivables

Item	Ending balance	Beginning balance
Interest receivable	17,954,391.03	3,422,218.37
Other receivables	304,817,533.23	195,827,591.34
Total	322,771,924.26	199,249,809.71

5.6.1 Interest receivable

(1) Classification of interest receivable

Item	Ending balance	Beginning balance
Term deposit	17,954,391.03	3,422,218.37
Subtotal	17,954,391.03	3,422,218.37
Less: Provision for doubtful account		
Total	17,954,391.03	3,422,218.37

5.6.2 Other receivables

(1) Aging analysis of other receivables

Aging	Ending balance	Beginning balance
Within 1 year		
Within 6 months (including 6 months)	226,283,342.88	138,711,097.08
6 months- 1 year (including 1 year)	33,342,559.83	14,776,598.50
Subtotal within 1 year	259,625,902.71	153,487,695.58
1-2 years	50,570,847.75	6,841,108.48
2-3 years	1,912,789.89	52,535,724.90
Over 3 years	34,290,363.71	3,344,597.12
Subtotal	346,399,904.06	216,209,126.08
Less: provision for doubtful accounts	41,582,370.83	20,381,534.74
Total	304,817,533.23	195,827,591.34

(2) Other receivables and provisions for doubtful accounts

Category	Ending balance			Beginning balance		
	Original amount		Proportion of provision Amount	Provision for doubtful accounts		Carrying amount
	Amount	Proportion (%)		Amount	Proportion (%)	
Other receivables subject to individual provision for doubtful accounts	30,493,444.44	8.80	30,493,444.44	14.10	9,148,033.33	21,345,411.11
Including:						
Other receivables not individually significant but provision for impairment considered on the individual basis	30,493,444.44	8.80	30,493,444.44	100.00	30,493,444.44	30.00
Other receivables subject to provision for doubtful accounts on the grouping basis	315,906,459.62	91.20	11,088,926.39	3.51	185,715,681.64	174,480,180.23
Including:						
Aging analysis group	315,906,459.62	91.20	11,088,926.39	3.51	185,715,681.64	174,480,180.23
Total	346,399,904.06	100.00	41,582,370.83	100.00	216,209,126.08	195,825,591.34

Other receivables subject to individual provision for doubtful accounts:

Name	Carrying amount	Ending balance		
		Provision for doubtful accounts	Proportion of provision (%)	Reason for provision
Other receivables with individually insignificant amount and subject to individual provision for doubtful accounts	30,493,444.44	30,493,444.44	100.00	It is not expected to collect.
Total	30,493,444.44	30,493,444.44		

Other receivables subject to provision for doubtful accounts on the group basis:

Items for provision on the group basis:

Item	Other receivables	Ending balance	
		Provision for doubtful accounts	Percentage of provision (%)
Aging analysis group			
Including:			
Within 6 months (including 6 months)	226,343,040.87		
6 months-1 year (including 1 year)	33,344,016.83	1,667,200.86	5.00
Subtotal within 1 year	259,687,057.70	1,667,200.86	0.64
1-2 years (including 2 years)	50,509,692.76	5,050,969.29	10.00
2-3 years (including 3 years)	1,912,789.89	573,836.97	30.00
Over 3 years	3,796,919.27	3,796,919.27	100.00
Total	315,906,459.62	11,088,926.39	

(3) Provision for doubtful accounts

Provision for doubtful accounts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in 12 months in the future	Expected credit losses of the entire duration (no credit impairment occurred)	Expected credit losses of the entire duration (credit impairment occurred)	
Beginning balance	11,233,501.41	9,148,033.33		20,381,534.74
Beginning balance in this period				
— Transfer to stage 2			9,148,033.33	9,148,033.33
— Transfer to stage 3				
— Transfer back to stage 2				
— Transfer back to stage 1				
Accrual in this period	14,977.55		21,345,411.11	21,360,388.66
Reversal in this period				
Write-off in this period				
Write-off in this period	159,552.57			159,552.57
Other movements				
Ending balance	11,088,926.39		30,493,444.44	41,582,370.83

(4) Provision, reversal or recovery of provision for doubtful accounts in 2020

Type	Beginning balance	Current change			Ending balance
		Provision	Reversal or recovery	Write off	
Provision for doubtful accounts on the aging analysis group	11,233,501.41	14,977.55		159,552.57	11,088,926.39
Individual provision for doubtful accounts	9,148,033.33	21,345,411.11			30,493,444.44
Total	20,381,534.74	21,360,388.66		159,552.57	41,582,370.83

(5) Other receivables written-off in 2020

Item	Amount written-off
Other receivables written off	159,552.57

(6) Other receivables classified by nature

Nature	Ending balance	Opening balance
Financing lease deposits	44,942,750.00	41,734,794.92
Other deposits	47,610,396.08	40,171,903.77
Petty cash	493,816.79	1,166,310.40
Export rebates	159,721,037.03	63,684,012.83
Receivables from disposal of subsidiaries	30,493,444.44	30,493,444.44
Others	63,138,459.72	38,958,659.72
Total	346,399,904.06	216,209,126.08

(7) Top five other receivables presented by the debtor:

Entity name	Nature	Ending balance	Aging	Proportion in total ending balance of other receivables (%)	Ending balance of provision for doubtful accounts
Export rebate receivable	Export rebate	159,721,037.03	Within 6 months	46.11	
Liu Haitian	Receivables from disposal of subsidiaries	30,493,444.44	Over 3 years	8.80	30,493,444.44
CCB Financial Leasing Co., Ltd.	Financing lease deposit	14,300,000.00	1-2 years	4.13	1,430,000.00
Jiangxi Baisili Technology Co., Ltd.	Temporary receivables	7,099,100.00	Within 6 months/ 6 months-1 year	2.05	210,850.00
Tianjin Rongmi Financing Lease Co., Ltd.	Deposit	7,070,000.00	6 months-1 year/ 1-2 years	2.04	532,000.00
Total		218,683,581.47		63.13	32,666,294.44

5.7 Inventories

5.7.1 Classification of inventories

Item	Ending balance			Beginning balance		
	Original amount	Provision for decline in the value of inventory / provision for impairment of contract fulfilment cost	Carrying amount	Original amount	Provision for decline in the value of inventory	Carrying amount
Raw material	1,467,663,007.97	97,620,077.37	1,370,042,930.60	903,526,043.81	50,058,637.51	853,467,406.30
Work in process	776,565,733.17		776,565,733.17	433,898,913.58	4,625,570.77	429,273,342.81
Finished goods	2,040,417,342.19	139,430,416.04	1,900,986,926.15	1,385,309,049.16	65,471,360.23	1,319,837,688.93
Goods in transit	726,733,771.14	11,334,387.92	715,399,383.22	1,086,678,368.66	41,800,021.28	1,044,878,347.38
Consumables	3,727,683.82		3,727,683.82	1,862,576.09		1,862,576.09
Outsourced materials	2,532,198.93	34,601.00	2,497,597.93	78,110.53		78,110.53
Semi-finished products	360,006,015.36	8,377,967.75	351,628,047.61	419,354,667.12	7,790,831.14	411,563,835.98
Total	5,377,645,752.58	256,797,450.08	5,120,848,302.50	4,230,707,728.95	169,746,420.93	4,060,961,308.02

5.7.2 Provision for decline in the value of inventory and provision for impairment of contract fulfilment cost

Item	Beginning balance	Beginning balance after adjustment	Current increase		Decrease during the year		Ending balance
			Provision	Others	Reversal or resale	Others	
Raw material	50,058,637.51	50,058,637.51	63,762,298.12		16,200,858.26		97,620,077.37
Working in process	4,625,570.77	4,625,570.77			4,625,570.77		
Finished goods	65,471,360.23	65,471,360.23	113,560,319.78		39,601,263.97		139,430,416.04
Goods in transit	41,800,021.28	41,800,021.28	10,673,450.48		41,139,083.84		11,334,387.92
Semi-finished products	7,790,831.14	7,790,831.14	7,627,262.06		7,040,125.45		8,377,967.75
Materials for consigned processing			34,601.00				34,601.00
Total	169,746,420.93	169,746,420.93	195,657,931.44		108,606,902.29		256,797,450.08

5.8 Non-current assets due within one year

Item	Ending balance	Beginning balance
Unrealized profit or loss of after-sales leaseback due within one year	34,439,277.46	33,474,731.33
Total	34,439,277.46	33,474,731.33

5.9 Other current assets

Item	Ending balance	Beginning balance
Input tax to be deducted	319,678,827.61	269,074,419.52
Import VAT and tariff	3,106,043.26	685,671.48
Excess VAT paid for future offsetting	298,134,333.13	256,107,291.05
Deferred expense	41,451,939.78	75,266,971.39
Other prepaid taxes and surcharges	34,519,921.95	33,714,458.85
Total	696,891,065.73	634,848,812.29

5.10 Long-term equity investments

Investee	Beginning balance	Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equity	Cash dividends or profits declared and distributed	Provision for impairment	Others	Ending balance	Ending balance of provision for impairment
1. Associates											
Xingzhiyoudao (Shenzhen) Auto Service Co., Ltd. ("Xingzhiyoudao")											10,014,453.68
Intelligent Cloud Apparel Technology Research Institute (Shenzhen) Co., Ltd.	155,645.85			563,568.39				-155,645.85		2,756,139.47	155,645.85
Ningbo Meishan Bonded Port Area Fengsheng Liuhe Investment Management Co., Ltd. ("Fengsheng Liuhe New Energy")	2,192,571.08			-102,709.38							
Nanjing JSE Technology Co., Ltd.	8,313,885.10										8,211,175.72
Shenzhen Lufeng Technology Co., Ltd.				1,566,007.58							317,600.96
Beijing Sheen Power Technology Co., Ltd.	7,829,731.17									9,395,738.75	
Shenzhen Yufeng New Materials Co., Ltd.	9,313,792.77										9,313,792.77
Yichuang Semiconductor (Shenzhen) Co., Ltd.	17,511,269.67			-3,657,394.91						13,853,874.76	
Ningbo Meishan Bonded Port Area Fengsheng Liuhe New Energy Investment Partnership (Limited Partnership)	197,405,447.86		-4,989,799.66	69,044,004.75						220,102,471.78	
											-41,357,181.17

Investee	Movement							Ending balance of provision for impairment			
	Beginning balance	Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equity	Cash dividends or profits declared and distributed		Provision for impairment	Others	Ending balance
Shenzhen Dami Growth New Industry Equity Investment Fund Partnership (Limited Partnership)	31,500,000.00			-243,960.27						31,256,039.73	
Dongguan Dami Excellence Growth Venture Investment Management Co., Ltd.	2,000,000.00			5,391.84						2,005,391.84	
Paersen Environmental Protection Technology Co., Ltd.	18,750,000.00	18,750,000.00		-510,732.80						36,989,267.20	
Sub-total	294,972,343.50	18,750,000.00	-4,989,799.66	66,664,175.20			-41,357,181.17	-17,680,614.34		316,358,923.53	28,012,668.98
Total	294,972,343.50	18,750,000.00	-4,989,799.66	66,664,175.20			-41,357,181.17	-17,680,614.34		316,358,923.53	28,012,668.98

5.11 Other non-current financial assets

Item	Ending balance	Beginning balance
Financial assets measured at fair value through current profit or loss	764,694,115.94	276,570,643.69
Including: Equity instrument investment	764,694,115.94	276,570,643.69
Total.	764,694,115.94	276,570,643.69

5.12 Fixed assets

5.12.1 Fixed assets and disposal thereof

Item	Ending balance	Beginning balance
Fixed assets.	5,935,854,403.87	4,247,871,171.46
Disposal of fixed assets		13,624,881.80
Total.	5,935,854,403.87	4,261,496,053.26

5.12.2 Breakdown of fixed assets

Item	Buildings and constructions	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
1. Original carrying amount						
(1) Opening balance	1,375,663,082.36	2,742,772,523.05	403,483,022.56	39,282,438.74	518,849,869.68	5,080,050,936.39
(2) Additions during the year	452,187,107.03	2,260,993,746.80	649,623,101.57	12,530,333.71	106,767,662.88	3,482,101,951.99
— Purchase	51,046,230.02	516,499,906.46	453,353,560.68	10,879,117.29	76,760,665.10	1,108,539,479.55
— Transfer from construction in progress	401,140,877.01	1,136,054,037.78	63,746,634.02	1,651,216.42	29,683,083.67	1,632,275,848.90
— Increase in after-sales leaseback		608,439,802.56	131,401,918.02		323,914.11	740,165,634.69
— Acquisition of subsidiaries			1,120,988.85			1,120,988.85
(3) Decrease during the year		1,227,302,727.88	213,252,086.54	3,521,110.26	35,327,738.65	1,479,403,663.33
— Disposal or scrapping		91,153,124.84	8,331,916.28	3,521,110.26	18,057,398.80	121,063,550.18
— Decrease in after-sales leaseback		694,862,388.98	143,577,250.97		457,665.43	838,897,305.38
— Other decreases		441,287,214.06	61,342,919.29		16,812,674.42	519,442,807.77
(4) Ending balance	1,827,850,189.39	3,776,463,541.97	839,854,037.59	48,291,662.19	590,289,793.91	7,082,749,225.05
2. Accumulated depreciation						
(1) Opening balance	98,203,716.24	419,754,008.36	133,858,518.74	17,403,910.89	162,273,580.44	831,493,734.67
(2) Additions during the year	48,655,073.08	301,460,195.47	107,854,058.05	8,477,016.57	50,714,292.57	517,160,635.74
— Provision	48,655,073.08	277,134,737.87	98,999,646.54	8,393,590.17	46,225,642.63	479,408,690.29
— Increase in after-sales leaseback		24,325,457.60	8,619,817.68	83,426.40	4,488,649.94	37,517,351.62
— Acquisition of subsidiaries			234,593.83			234,593.83
(3) Decrease during the year		153,612,718.81	21,372,794.24	1,965,860.96	25,992,847.19	202,944,221.20
— Disposal or scrapping		38,740,570.89	4,951,889.70	1,965,860.96	16,189,296.35	61,847,617.90
— Decrease in after-sales leaseback		76,902,753.17	9,346,048.54		114,410.59	86,363,212.30
— Other decreases		37,969,394.75	7,074,856.00		9,689,140.25	54,733,391.00
(4) Ending balance	146,858,789.32	567,601,485.02	220,339,782.55	23,915,066.50	186,995,025.82	1,145,710,149.21
3. Provision for impairment						
(1) Opening balance		686,030.26				686,030.26
(2) Additions during the year			1,562,532.17			1,562,532.17
— Provision			1,562,532.17			1,562,532.17
(3) Decrease during the year		686,030.26	377,860.20			1,063,890.46
— Disposal or scrapping		686,030.26	377,860.20			1,063,890.46
(4) Ending balance			1,184,671.97			1,184,671.97
4. Carrying amount						
(1) Ending balance	1,680,991,400.07	3,208,862,056.95	618,329,583.07	24,376,595.69	403,294,768.09	5,935,854,403.87
(2) Opening balance	1,277,459,366.12	2,322,332,484.43	269,624,503.82	21,878,527.85	356,576,289.24	4,247,871,171.46

5.12.3 Fixed assets under financing lease

<u>Item</u>	<u>Original amount</u>	<u>Accumulated depreciation</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Machinery equipment	1,190,688,061.70	220,859,467.29		969,828,594.41
Electronic equipment	41,142,911.50	14,823,877.39		26,319,034.11
Other equipment.	146,752,359.92	24,695,492.65		122,056,867.27
Total	1,378,583,333.12	260,378,837.33		1,118,204,495.79

5.12.4 Fixed assets without ownership certificate

<u>Item</u>	<u>Carrying amount</u>	<u>Reason for not obtaining ownership certificate</u>
Buildings and constructions	724,102,131.54	In process
Buildings and constructions	4,853,941.52	The property is government rehousing.

5.12.5 Disposal of fixed assets

<u>Item</u>	<u>Ending balance</u>	<u>Opening balance</u>
Machinery equipment.		13,624,881.80
Total.		13,624,881.80

5.13 Construction in progress

5.13.1 Construction in progress and project materials

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Construction in progress	1,915,029,869.57	1,165,675,945.41
Total	1,915,029,869.57	1,165,675,945.41

5.13.2 Breakdown of construction in progress

<u>Item</u>	<u>Ending balance</u>			<u>Beginning balance</u>		
	<u>Original amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Original amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Housing renovation engineering	305,476,008.47		305,476,008.47	154,196,319.61		154,196,319.61
Installation of outsourcing equipment	414,847,534.76		414,847,534.76	271,274,493.58		271,274,493.58
Construction project of Boluo Industrial Park	240,279,200.57		240,279,200.57	413,506,109.03		413,506,109.03
Construction engineering of Nanjing Industrial Park	295,081,593.78		295,081,593.78	5,984,952.50		5,984,952.50
Construction project of power lithium battery production line.	83,203,183.32		83,203,183.32			

Item	Ending balance			Beginning balance		
	Original amount	Provision for impairment	Carrying amount	Original amount	Provision for impairment	Carrying amount
Construction project of consumer-based lithium battery production line.	260,413,415.30		260,413,415.30	122,420,326.04		122,420,326.04
Improvement of fixed assets	227,750,232.01		227,750,232.01	129,730,656.73		129,730,656.73
Construction project of Shilongzai Industrial Park	14,607,831.91		14,607,831.91			
Mine exploration right of East Taigener Lake. . .	49,007,641.19		49,007,641.19	45,635,131.74		45,635,131.74
Distributed energy system demonstration project based on multi energy complementary integration optimization	4,782,037.32		4,782,037.32			
5.9 MW roof distributed photovoltaic power generation project . . .	10,531,535.76		10,531,535.76	12,632,727.24		12,632,727.24
Other projects	9,049,655.18		9,049,655.18	10,295,228.94		10,295,228.94
Total	1,915,029,869.57		1,915,029,869.57	1,165,675,945.41		1,165,675,945.41

5.13.3 Changes in significant construction in progress in 2020

Item	Budget	Amount			Ending balance	Proportion of accumulated project investment in budget (%)	Percentage of completion	Accumulated capitalization amount of interest	Including: capitalization amount of the interest in 2020	Capitalization rate of interest in 2020 (%)	Capital source
		Beginning balance	Additions during the year	transferred into fixed assets in 2020							
Housing renovation engineering		154,196,319.61	473,697,448.35	2,239,698.76	320,178,060.73	305,476,008.47	Completed in part				Self-raised
Installation of outsourcing equipment		271,274,493.58	736,505,297.59	586,752,071.47	6,180,184.94	414,847,534.76	Completed in part				Raised, self-raised
Construction project of Boluo Industrial Park		413,506,109.03	243,705,853.13	398,901,178.25	18,031,583.34	240,279,200.57	Completed in part				Self-raised
Construction engineering of Nanjing Industrial Park		5,984,952.50	289,387,247.54		290,606.26	295,081,593.78	Completed in part				Self-raised
Construction project of power lithium battery production line			322,270,371.15		239,067,187.83	83,203,183.32	Completed in part				Raised, self-raised
Construction project of consumer-based lithium battery production line		122,420,326.04	327,122,658.87	179,007,090.41	10,122,479.20	260,413,415.30	Completed in part				Raised, self-raised
Improvement of fixed assets		129,730,656.73	561,634,828.88	463,048,999.34	566,254.26	227,750,232.01	Completed in part				Self-raised
Construction project of Shilongzai Industrial Park			14,607,831.91			14,607,831.91	Completed in part				Self-raised
Mine exploration right of East Taigener Lake		45,635,131.74	3,372,509.45			49,007,641.19	In progress				Self-raised
Distributed energy system demonstration project based on multi energy complementary integration optimization		12,632,727.24	19,058,704.07	21,159,895.55		10,531,535.76	In progress				Self-raised
5.9 MW roof distributed photovoltaic power generation project		10,295,228.94	6,529,544.64	2,567,156.58		9,049,655.18	Completed in part				Self-raised
Other projects											
Total		1,165,675,945.41	3,004,821,268.66	1,653,676,090.36	601,791,254.14	1,915,029,869.57					

5.14 Intangible assets

5.14.1 Intangible assets

Item	Land use right	Software	Patent right	Total
1. Original Carrying amount				
(1) Beginning balance	611,288,323.03	59,565,927.68	43,226,638.48	714,080,889.19
(2) Additions during the year	116,017,352.42	24,598,801.88		140,616,154.30
— Purchase	116,017,352.42	23,893,564.40		139,910,916.82
— Acquisition of subsidiaries.		705,237.48		705,237.48
(3) Decrease during the year		979,397.48	11,522.64	990,920.12
— Disposal		979,397.48	11,522.64	990,920.12
(4) Ending balance	727,305,675.45	83,185,332.08	43,215,115.84	853,706,123.37
2. Accumulated amortization				
(1) Beginning balance	28,810,211.95	21,332,122.24	21,949,638.15	72,091,972.34
(2) Additions during the year	14,103,385.42	13,784,126.94	4,365,303.66	32,252,816.02
— Provision.	14,103,385.42	13,596,063.59	4,365,303.66	32,064,752.67
— Acquisition of subsidiaries.		188,063.35		188,063.35
(3) Decrease during the year		250,429.04	11,522.64	261,951.68
— Disposal		250,429.04	11,522.64	261,951.68
(4) Ending balance	42,913,597.37	34,865,820.14	26,303,419.17	104,082,836.68
3. Provision for impairment				
(1) Beginning balance				
(2) Additions during the year				
— Provision.				
(3) Decrease during the year				
— Disposal				
(4) Ending balance				
4. Carrying amount				
(1) Ending balance	684,392,078.08	48,319,511.94	16,911,696.67	749,623,286.69
(2) Beginning balance	582,478,111.08	38,233,805.44	21,277,000.33	641,988,916.85

Note: The intangible assets formed by the internal research and development of the Company as at 31 December 2020 accounted for 0% of the balance of the total intangible assets.

5.15 Goodwill

5.15.1 Changes in goodwill

Name of investee or matters relevant to recognition of goodwill	Beginning balance	Additions during the year	Decrease during the year	Ending balance
		Formed by business combination	Disposal	
Original Carrying amount				
Dongguan Liwinon	51,211,434.67			51,211,434.67
Yuke PV	7,945,765.47			7,945,765.47
Dianjin Factoring	11,571,400.01			11,571,400.01
Subtotal	70,728,600.15			70,728,600.15
Provision for impairment				
Dongguan Liwinon				
Yuke PV				
Dianjin Factoring				
Subtotal				
Carrying amount	70,728,600.15			70,728,600.15

Other notes:

(1) Dongguan Liwinon

The “consumer-based lithium battery cell business” is the only asset group owned by Dongguan Liwinon on the date of acquisition. As at 31 December 2020, the asset group containing goodwill is consistent with that determined at the time of goodwill recognition on the date of acquisition without any significant change.

The recoverable amount of the asset group shall be determined according to the present value of the expected future cash flow of the asset group. The future cash flow is forecasted based on the five-year financial budget approved by the Management whose annual growth rate of operating revenue in the next five years is estimated at 18.64%. The sustainable cash flow five years later will be determined according to the level of the last year of the detailed forecast period, combining with the industry development trend and other factors. The discount rate for calculation of present value is 13.39%, which is the pre-tax discount rate reflecting the specific risks of the relevant asset group.

31 December 2020 was set as the benchmark date for test of goodwill impairment and if the above assumptions could be achieved the recoverable amount of asset group related to Dongguan Liwinon and goodwill held by the Company is higher than the Carrying amount of the asset group. Therefore, the goodwill has not been impaired as at 31 December 2020.

(2) Yuke PV

The “PV Power Station business” is the only asset group owned by Yuke PV on the date of acquisition. As at 31 December 2020, the asset group containing goodwill is consistent with that determined at the time of goodwill recognition on the date of acquisition without any significant change.

The recoverable amount of the asset group shall be determined according to the present value of the expected future cash flow of the asset group. We forecast the future cash flow based on the five-year financial budget approved by the Management and the operating revenue in the next five years will be calculated on the basis of the power consumption and predicated price. The sustainable cash flow five years later will be determined based on the amount of the last year of the detailed forecast period, combining with the industry development trend and other factors. The discount rate for calculation of present value is 12%, which is the pre-tax discount rate reflecting the specific risks of the relevant asset group.

31 December 2020 was set as the benchmark date for test of goodwill impairment and if the above assumptions could be achieved, the recoverable amount of asset group related to Yuke PV and goodwill held by the Company is higher than the Carrying amount of the asset group. Therefore, the goodwill has not been impaired as at 31 December 2020.

(3) Dianjin Factoring

The “factoring business” owned by Dianjin Factoring on the date of acquisition is the only asset group. As at 31 December 2020, the asset group containing goodwill is consistent with that determined at the time of goodwill recognition on the date of acquisition, without any significant change.

The recoverable amount of the asset group shall be determined according to the present value of the expected future cash flow of the asset group. Future cash flow is forecasted based on the five-year financial budget approved by the Management and it is estimated that the annual growth rate of operating revenue in the next five years will be 14.65%. The sustainable cash flow five years later will be determined according to the level of the last year of the detailed forecast period combining with the industry development trend and other factors. The discount rate for calculation of present value is 12%, which is the pre-tax discount rate reflecting the specific risks of the relevant asset group.

31 December 2020 was set as the benchmark date for test of goodwill impairment and if the above premise of the above achieved, the recoverable amount of asset group related to Dianjin Factoring and goodwill held by the Company is higher than the Carrying amount of the asset group, and hence goodwill has not been impaired.

5.16 Long-term deferred expenses

<u>Item</u>	<u>Beginning balance</u>	<u>Additions during the year</u>	<u>Amortization charged to profit and loss</u>	<u>Decrease during the year</u>	<u>Ending balance</u>
Huizhou Industrial Park-house renovation engineering . . .	316,485,260.97	256,893,052.82	62,437,528.70	7,064.24	510,933,720.85
Huizhou Industrial Park-power lithium battery production line construction project. . .	171,590,609.60	16,326,381.21	11,286,673.67		176,630,317.14
Huizhou Industrial Park-consumer-based battery cell production line construction project	64,949,728.76	1,897,247.72	8,695,958.22		58,151,018.26
Guangming Industrial Park-house renovation engineering	83,110,865.08	910,684.99	11,983,389.53		72,038,160.54
Shilongzai Industrial Park-house renovation engineering	45,890,406.99	3,226,211.95	11,562,214.63	35,300.45	37,519,103.86
Jinjia Industrial Park-house renovation engineering . . .	38,912,759.79	3,851,062.07	11,565,184.08		31,198,637.78
Yuyongxing Industrial Park-house renovation engineering	44,414,071.66	785,249.89	4,826,277.51		40,373,044.04
India factory-house renovation engineering	18,586,068.72	13,370,911.84	5,755,719.63	5,219,773.93	20,981,487.00
Other leased factory and dormitory renovation engineering	22,593,254.02	45,918,026.17	13,663,878.47		54,847,401.72
Other long-term deferred expense	2,708,821.66	1,964,019.24	1,932,341.88		2,740,499.02
Nanjing Industrial Park-power lithium battery production line construction project. . .		239,067,187.83	8,055,331.60		231,011,856.23
Nanjing Industrial Park-house renovation engineering . . .		66,270,192.72	1,376,623.41		64,893,569.31
Total	809,241,847.25	650,480,228.45	153,141,121.33	5,262,138.62	1,301,318,815.75

Note: RMB4,429,881.85 for “other leased factory and dormitory renovation engineering” and RMB465,746.68 for “other long-term deferred expense” resulting from the acquisition of subsidiaries were included in the additions during the year.

5.17 Deferred tax assets and deferred tax liabilities

5.17.1 Deferred tax assets before offset

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	400,990,726.01	64,817,766.89	334,573,142.00	51,244,784.89
Share-based compensation . . .	146,332,761.94	21,949,914.29		
Deductible tax loss	63,236,096.03	11,604,717.55	72,541,899.33	17,746,116.83
Unrealized profit from internal transactions	777,209,933.27	136,259,812.56	612,679,849.84	100,571,927.39
Deferred income-government subsidy	285,230,724.37	68,522,762.35	266,960,375.70	66,374,498.97
Fair value change from financial assets measured at fair value and derivative financial instruments			18,770,730.46	2,815,609.57
Total	1,673,000,241.62	303,154,973.64	1,305,525,997.33	238,752,937.65

5.17.2 Deferred tax liabilities before offset

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value change from business combination not under the common control	16,911,696.67	2,536,754.50	21,229,576.67	3,184,436.50
Fair value change from financial assets measured at fair value t and derivative financial instruments	565,394,432.92	89,132,701.24	40,919,817.65	6,137,972.65
Accelerated depreciation of fixed assets allowed by Taxation Bureau	28,872,872.33	7,218,218.08	36,000,943.20	9,000,235.80
Income from equity investment which is not intend to be held for a long time	178,748,886.82	44,687,221.71	151,062,063.24	37,765,515.81
Total	789,927,888.74	143,574,895.53	249,212,400.76	56,088,160.76

5.17.3 Deferred tax assets or liabilities presented at net amount after the offset

Item	Ending balance		Beginning balance	
	Amount of mutual offset of deferred tax assets and liabilities	Balance of deferred tax assets or liabilities after mutual offset	Amount of mutual offset of deferred tax assets and liabilities	Balance of deferred tax assets or liabilities after mutual offset
Deferred tax asset	80,814,916.20	222,340,057.44	15,138,208.45	223,614,729.20
Deferred tax liabilities	80,814,916.20	62,759,979.33	15,138,208.45	40,949,952.31

5.17.4 Breakdown of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary differences	190,784,978.54	93,219,134.05
Deductible tax loss	2,249,442,354.99	1,221,419,648.94
Total	2,440,227,333.53	1,314,638,782.99

As it is uncertain whether some subsidiaries can generate sufficient taxable income in the future, these deferred tax assets are not recognized.

5.17.5 Deductible losses unrecognized as deferred tax assets will be expired in the following years

Year	Ending balance	Beginning balance	Remarks
2020		12,569,219.80	
2021	37,255,219.08	37,255,219.08	
2022	145,447,682.98	145,767,000.38	
2023	344,798,231.35	355,649,524.87	
2024	691,782,816.02	655,193,443.56	
2025	1,001,851,874.09		
Without time limit	28,306,531.47	14,985,241.25	
Total	2,249,442,354.99	1,221,419,648.94	

5.18 Other non-current assets

Item	Ending balance			Beginning balance		
	Original amount	Provision of impairment	Carrying amount	Original amount	Provision of impairment	Carrying amount
Prepayment for land use right	31,500,000.00		31,500,000.00	31,500,000.00		31,500,000.00
Advances for equipment	563,701,898.05		563,701,898.05	789,948,358.87		789,948,358.87
Advances for projects	88,553,175.45		88,553,175.45	75,875,272.39		75,875,272.39
Unrealized profit or loss on the after-sales leaseback	25,689,740.24		25,689,740.24	42,711,609.94		42,711,609.94
Prepayment for software	126,500.00		126,500.00			
Term deposit with 1 year above				10,889,583.84		10,889,583.84
Prepayment for buildings				53,145,412.00		53,145,412.00
Deposit for migrant workers	10,000,000.00		10,000,000.00	10,000,000.00		10,000,000.00
Total	719,571,313.74		719,571,313.74	1,014,070,237.04		1,014,070,237.04

5.19 Short-term borrowings

5.19.1 Classification of short-term borrowings

Item	Ending balance	Beginning balance
Pledged and guaranteed borrowings	2,670,234,761.92	3,183,364,888.81
Guaranteed borrowings	3,480,717,344.40	2,246,221,496.41
Credit borrowing		57,323,333.34
Mortgage borrowing		71,887,306.70
Total	6,150,952,106.32	5,558,797,025.26

5.20 Financial liabilities held for trading

Item	Beginning balance	Additions during the year	Decrease during the year	Ending balance
Financial liability measured at fair value through profit or loss	1,760,064.88		1,760,064.88	
Including: Derivative financial liabilities.	1,760,064.88		1,760,064.88	
Designated financial liabilities measured at fair value through current profit or loss.	54,260,000.00		54,260,000.00	
Others	54,260,000.00		54,260,000.00	
Total	56,020,064.88		56,020,064.88	

5.21 Notes payable

Category	Ending balance	Beginning balance
Bank acceptance	2,726,862,444.18	2,583,340,564.04
Total.	2,726,862,444.18	2,583,340,564.04

5.22 Accounts payable

5.22.1 Presentation of accounts payable

Item	Ending balance	Beginning balance
Within 1 year (including 1 year).	6,974,674,737.57	5,381,832,444.10
1-2 years (including 2 years)	62,606,570.01	72,453,922.11
2-3 years (including 3 years)	20,950,766.17	3,118,477.32
Over 3 years	7,970,300.89	6,066,739.79
Total.	7,066,202,374.64	5,463,471,583.32

5.23 Advances from customers

5.23.1 Aging analysis of advances from customers

Item	Ending balance	Beginning balance
Within 1 year (including 1 year).		95,488,947.09
1-2 years (including 2 years)		5,445,029.77
2-3 years (including 3 years)		1,212,808.53
Over 3 years		967,841.35
Total.		103,114,626.74

5.24 Contract liabilities

5.24.1 Aging analysis of contract liabilities

Item	Beginning balance
Within 1 year (including 1 year)	295,949,689.32
1-2 years (including 2 years)	19,289,318.77
2-3 years (including 3 years)	4,032,665.18
Over 3 years.	2,014,606.28
Total	321,286,279.55

5.25 Employees' benefits payable

5.25.1 Movement of employees' benefits payable

Item	Beginning balance	Additions during the year	Decrease during the year	Ending balance
Short-term benefits	346,744,986.15	3,354,817,837.67	3,155,984,372.25	545,578,451.57
Post-employment benefits — defined contribution plans		65,196,088.06	65,195,663.06	425.00
Total	346,744,986.15	3,420,013,925.73	3,221,180,035.31	545,578,876.57

Note: RMB7,493,137.25 resulting from the acquisition of subsidiaries is included in the Additions during the year includes.

5.25.2 Presentation of short-term benefits

Item	Beginning balance	Additions during the year	Decrease during the year	Ending balance
(1) Salary, bonus, allowance and subsidies	346,444,071.92	3,159,089,632.97	2,963,577,224.31	541,956,480.58
(2) Employees' benefits		131,237,699.13	128,015,799.47	3,221,899.66
(3) Social insurance premium	28,654.61	38,517,977.66	38,458,157.87	88,474.40
Including: medical insurance	28,654.61	35,426,589.59	35,392,549.74	62,694.46
Work injury insurance		1,024,432.21	1,022,685.06	1,747.15
Maternity insurance		2,066,955.86	2,042,923.07	24,032.79
(4) Housing provident fund	272,259.62	24,495,906.96	24,466,569.65	301,596.93
(5) Labor union expenditures and employee education expenses		1,476,620.95	1,466,620.95	10,000.00
Total	346,744,986.15	3,354,817,837.67	3,155,984,372.25	545,578,451.57

5.25.3 Presentation of defined contribution plan

Item	Beginning balance	Additions during the year	Decrease during the year	Ending balance
Basic pensions		63,024,396.02	63,024,125.10	270.92
Unemployment insurance		2,171,692.04	2,171,537.96	154.08
Total		65,196,088.06	65,195,663.06	425.00

5.26 Taxes and surcharges payable

Tax Item	Ending balance	Beginning balance
Value added tax (VAT)	39,597,461.12	27,336,463.51
Enterprise income tax.	50,827,664.83	53,291,706.01
Individual income tax.	2,307,719.43	905,363.56
Urban maintenance and construction tax	7,135,686.10	1,842,746.67
Education surtax	5,555,667.94	1,379,050.36
Stamp tax	2,305,529.91	2,306,965.79
Other taxes and dues	681,094.86	387,166.09
Total.	108,410,824.19	87,449,461.99

5.27 Others payables

Item	Ending balance	Beginning balance
Interest payable	36,243,724.57	43,144,980.96
Other payables.	892,377,797.98	663,120,688.08
Total.	928,621,522.55	706,265,669.04

5.27.1 Interest payable

Item	Ending balance	Beginning balance
Interest payable of short-term borrowings	5,328,287.14	1,288,244.99
Interest payable of long-term borrowings.	11,133,412.78	18,734,902.64
Interest payable of bonds payable	19,782,024.65	23,121,833.33
Total.	36,243,724.57	43,144,980.96

5.27.2 Other payables

(1) Other payables presented by nature

Item	Ending balance	Beginning balance
Deposits	18,387,961.57	25,000,234.94
Accrued expenses	9,061,116.45	12,423,865.50
Accounts of equity incentive with obligation of repurchase	368,590,295.00	291,465,000.00
Payables for land use right.		53,500,000.00
Increased capital of subsidiary with obligation of repurchase	325,666,666.66	204,333,333.33
Equity fund payable.	82,704,166.30	
Guarantee expense payable.	21,132,075.48	
Others	66,835,516.52	76,398,254.31
Total.	892,377,797.98	663,120,688.08

(2) Other significant payables aged over one year

Item	Ending balance	Reasons for failure of repayment or carry-forward
Increased capital of subsidiary with obligation of repurchase	204,333,333.33	Not due
Accounts of equity incentive with obligation of repurchase	284,622,435.00	Not due

5.28 Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term payables due within one year	578,503,857.60	282,192,508.52
Unrealized profit or loss on the after-sales leaseback due with one year	997,794.33	6,546,158.86
Bonds payable due within one year		778,136,855.51
Long-term borrowings due within one year	122,239,584.99	45,093,493.75
Total	701,741,236.92	1,111,969,016.64

5.29 Other current liabilities

Item	Ending balance	Beginning balance
Output VAT tax	237,274,931.90	
Total	237,274,931.90	

5.30 Long-term borrowings

Category of long-term borrowings:

Item	Ending balance	Beginning balance
Guaranteed borrowings	973,672,290.25	563,538,256.25
Guaranteed and mortgaged borrowings	676,960,000.00	249,000,000.00
Total	1,650,632,290.25	812,538,256.25

5.31 Bonds payable

5.31.1 Breakdown of bonds payable

Item	Ending balance	Beginning balance
Bonds payable	2,008,188,216.88	
Total	2,008,188,216.88	

5.31.2 Movement in bonds payable (excluding preferred stocks, perpetual debts and other financial instruments divided into the financial liabilities)

Name of bond	Par value	Date of issue	Bond period	Amount	Beginning balance	Current issue	Interest accrued at par value	Premium and discount amortization	Current repayment	Other decrease	Ending balance
20 Xin Wang 01. . . .	390,000,000.00	2020/6/23	3 years	390,000,000.00		390,000,000.00	8,164,997.26	10,160,363.59			379,839,636.41
20 Xin Wang 02. . . .	210,000,000.00	2020/8/31	3 years	210,000,000.00		210,000,000.00	3,007,602.74	5,485,154.51			204,514,845.49
20 Xin Wang 03. . . .	400,000,000.00	2020/8/31	3 years	400,000,000.00		400,000,000.00	6,510,575.34	16,668,207.01			383,331,792.99
Xin Wang convertible bonds	1,120,000,000.00	2020/7/14	6 years	1,120,000,000.00		1,120,000,000.00	2,098,849.31	79,498,058.01			1,040,501,941.99
Total				2,120,000,000.00		2,120,000,000.00	19,782,024.65	111,811,783.12			2,008,188,216.88

5.31.3 Notes to the transfer conditions and time of the convertible bonds of the Company

The conversion period of the convertible bonds issued starts on the first trading day (six months after the end of this issuing) and ends on the maturity of the convertible bonds.

The initial conversion price of the convertible bonds issued is RMB21.28/share, not lower than the average trading price of A shares issued by the Company in 20 trading days before the announcement of the prospectus, and the average trading price of A shares of the Company on the previous trading day.

5.32 Long-term payables

Item	Ending balance	Beginning balance
Long-term payables	302,848,665.63	242,437,314.76
Total	302,848,665.63	242,437,314.76

5.32.1 Long-term payables

Item	Ending balance	Beginning balance
Financing lease fund payable	313,088,455.42	253,289,464.14
Less: Expense of unrealized financing.	10,239,789.79	10,852,149.38
Total	302,848,665.63	242,437,314.76

The minimum financing lease fund to be paid after the balance sheet date:

Remaining lease term	Ending balance
Within 1 year	607,961,311.60
1-2 years	252,186,421.36
2-3 years	60,902,034.06
Over 3 years	
Total	921,049,767.02

5.33 Provision

Item	Beginning balance	Beginning balance after adjustment	Additions during the year	Decrease during the year	Ending balance	Causes
Product quality guarantee.	33,730,717.85	33,730,717.85	10,766,901.81		44,497,619.66	Product quality guarantee deposit of electric vehicle battery
Total	33,730,717.85	33,730,717.85	10,766,901.81		44,497,619.66	

5.34 Deferred income

Item	Beginning balance	Additions during the year	Decrease during the year	Ending balance	Notes
Government subsidies	448,131,776.51	145,216,122.00	39,101,032.89	554,246,865.62	Government subsidies related assets
Unrealized profit or loss on the after-sales leaseback.	464,199.75	993,682.59	464,199.75	993,682.59	Financing lease
Total	448,595,976.26	146,209,804.59	39,565,232.64	555,240,548.21	

Items involving government subsidies

Liabilities	Beginning balance	Additions of subsidies in 2020	Amount recorded in current profit or loss in 2020	Other changes	Ending balance	Asset-related/ Income-related
Special funds for power lithium ion battery	38,081.56		38,081.56			Asset-related
Funds of the Ministry of Industry and Information Technology for development of electronic information — research, development and industrialization of Sunwoda laptop battery	119,688.53		55,193.76		64,494.77	Asset-related
Technology breakthrough on lithium-ion battery modules of electric vehicles	1,200,000.00				1,200,000.00	Asset-related
Lab of group technology and control system engineering in terms of power and energy-storage battery in Shenzhen	2,056,557.39		515,600.28		1,540,957.11	Asset-related
Research and development of optional complete equipment of new power battery	689,059.83				689,059.83	Asset-related
Fund of industrialized projects of distributed lithium battery energy storage system	3,385,391.74		292,943.89		3,092,447.85	Asset-related
Supporting fund subsidies for import discount of the State	2,542,817.01		305,092.80		2,237,724.21	Asset-related
Group technology and control system in terms of power and energy-storage battery	51,883.24		12,529.11		39,354.13	Asset-related
Project fund for replacement of variable pump-motor power equipment with all-electric servo-system	625,006.31		288,218.04		336,788.27	Asset-related
Subsidies for application and research on key technology of family photovoltaic energy-storage system	325,861.50		59,901.72		265,959.78	Asset-related
Energy storage device for lithium battery of smart grid	2,400,000.00				2,400,000.00	Asset-related

Liabilities	Beginning balance	Additions of subsidies in 2020	Amount recorded in current profit or loss in 2020	Other changes	Ending balance	Asset-related/ Income-related
Research, development and industrialization for groups of lithium battery for electro-mobiles and key technology of battery management system.....	5,789,122.93	800,000.00	351,228.86		6,237,894.07	Asset-related
Research and development team on key technology of MW-level battery energy storage power station.....	700,000.00				700,000.00	Asset-related
Research and development on all solid state lithium battery and key materials based on materials genome.....	680,000.00	150,000.00	16,529.15		813,470.85	Asset-related
Flexible materials.....	173,250.00				173,250.00	Asset-related
Research, development and industrial project of VR force/haptic interaction equipment.....	1,651,043.85	180,000.00	256,391.35		1,574,652.50	Asset-related
Key technology research and development of Heavy 20170083 300Wh/Kg lithium ion power battery.....	3,929,097.95		106,353.07		3,822,744.88	Asset-related
Demonstration project of distributed energy system of multi-energy complementary integrated optimization in the special state key research and development plan “smart power grid technology and device”.....	13,694,318.00	5,204,822.00		3,651,900.00	15,247,240.00	Asset-related
Subsidies for “lithium ion power battery PACK assembly high flexibility digitalized factory” of 2017 smart manufacturing new form application project.....	5,500,000.00				5,500,000.00	Asset-related
Funds for research and development of “high energy density lithium-ion battery of nickel-rich LiNi1-x-yCoxMnyO2 cathode material with micro sodium structure.....	1,979,743.38	720,000.00	82,131.27		2,617,612.11	Asset-related

Liabilities	Beginning balance	Additions of subsidies in 2020	Amount recorded in current profit or loss in 2020	Other changes	Ending balance	Asset-related/ Income-related
“Technical Equipment and Management Promotion Project of 2016 Robot, Wearable Equipment and Smart Device Industry Enterprises” provides funds for “intelligent transformation project of polymer lithium battery automatic packaging production line”	2,000,000.10		999,999.99		1,000,000.11	Asset-related
Information construction project-Sunwoda i-Factory information construction project	200,000.00				200,000.00	Asset-related
The second batch of technical transformation projects in Baoan District in 2016	200,000.00				200,000.00	Asset-related
Multi-energy complementary power generation and independent technology for load and independent power supply (special project)	465,100.00				465,100.00	Asset-related
Integrated special fund for “innovation chain + industrial chain” of independent development and application of Pack intelligent production line of Li-ion battery	7,928,739.66		839,876.99		7,088,862.67	Asset-related
Integrated special fund for “innovation chain + industrial chain” of independent development and application of Pack intelligent production line of Li-ion battery	8,023,197.02		784,557.14		7,238,639.88	Asset-related
Promotion project for technology reconstruction of Sunwoda Industrial Park	3,154,000.00		996,000.00		2,158,000.00	Asset-related
Research and development on key technology of Heavy 20180005 Distributed PV- power storage connected operation and dispatch	1,300,000.00	1,300,000.00			2,600,000.00	Asset-related
Key technology on safety of new energy auto system-Subsidy for rewards of technology matching projects of Shenzhen Baoan District Technology Innovation Bureau in 2019	200,000.00				200,000.00	Asset-related
Research outlay for high energy density electrode and battery technology		3,220,000.00			3,220,000.00	Asset-related

Liabilities	Beginning balance	Additions of subsidies in 2020	Amount recorded in current profit or loss in 2020	Other changes	Ending balance	Asset-related/ Income-related
Innovation capacity building project of Sunwoda national enterprise technology center of Shenzhen Development and Reform Commission		4,800,000.00			4,800,000.00	Asset-related
Construction project of application innovation experience center of the CPS-based industrial Internet platform — point chain industrial collaborative cloud platform		440,000.00			440,000.00	Asset-related
The first batch of funding plan for the special technological transformation investment project for technological multiplication — technological transformation and upgrading project of Sunwoda Guangming Industrial Park		5,000,000.00	4,074,033.03		925,966.97	Asset-related
Integrated special fund for “innovation chain + industrial chain” of independent development and application of Pack intelligent production line of Li-ion battery		8,250,000.00			8,250,000.00	Asset-related
Secondary node construction of Sunwoda industrial Internet logo analysis.		2,400,000.00			2,400,000.00	Asset-related
Projects supported by 2020 industrial Internet development support plan		2,650,000.00			2,650,000.00	Asset-related
The second batch of funding plan for major projects — technological transformation and upgrading project of Sunwoda Guangming Industrial Park		22,970,000.00	11,965,676.63		11,004,323.37	Asset-related
Technical transformation project of key material production enterprises for epidemic prevention and control.		310,000.00	77,499.99		232,500.01	Asset-related
Research, development and industrialization project of high energy solid battery of Heavy 2020055.		900,000.00			900,000.00	Asset-related

Liabilities	Beginning balance	Additions of subsidies in 2020	Amount recorded in current profit or loss in 2020	Other changes	Ending balance	Asset-related/ Income-related
Subsidy for technical transformation of Shenzhen Baoan District Bureau of Industry and Information		15,000,000.00			15,000,000.00	Asset-related
Public service platform of gathered innovation capacity construction projects of the National Enterprise Technology Center	113,333.34	100,000.00	94,339.62	5,660.38	73,333.38	Asset-related
Public service platform for test technology and research on lithium battery	600,000.00		39,999.96		500,000.04	Asset-related
Test, research and application of Qi wireless charging technology	2,652,216.24	1,500,000.00	1,358,062.21		2,794,154.03	Asset-related
Closed-loop quality test technology of Pack intelligent manufacturing production line of lithium battery	290,400.00	60,900.00			351,300.00	Asset-related
Research on the evaluation technology of health status and residual value of battery cells and modules of retired power battery		968,200.00			968,200.00	Asset-related
Technical transformation project of production line of the precision plastic parts	911,107.84		717,012.96		194,094.88	Asset-related
Special subsidy for high-flexibility digital factory of Pack assembly of lithium ion power battery ..	3,000,000.00			3,000,000.00		Asset-related
Special subsidy for key process and production line of Pack intelligent manufacturing with power battery		4,875,000.00			4,875,000.00	Asset-related
Digital twin system project of production line based on industrial Internet platform		1,125,000.00			1,125,000.00	Asset-related
Research and development of key technologies for high safety 350Wh/kg power battery of Heavy 20200054						
Special fund and project investment subsidy for the provincial strategic new emerging industries in 2020		36,400,000.00			36,400,000.00	Asset-related

Liabilities	Beginning balance	Additions of subsidies in 2020	Amount recorded in current profit or loss in 2020	Other changes	Ending balance	Asset-related/ Income-related
Supporting fund of Yuanzhou Town People's Government on technology	368,226,395.45		7,814,400.99		360,411,994.46	Asset-related
Technical transformation project of expanding production and increasing efficiency for precision mould workshops		2,030,000.00			2,030,000.00	Asset-related
Subsidies for special technology reconstruction of increased technology of Shenzhen Economic Trade and Informatization Commission	336,363.64		201,818.18		134,545.46	Asset-related
Research and development on key technology of Heavy 20180005 Distributed PV- power storage connected operation and dispatch		700,000.00			700,000.00	Asset-related
Industrialization project of application of lithium battery	1,000,000.00				1,000,000.00	Asset-related
Awards of Boluo County Bureau of Technology, Industry and Information Technology for enlarging technical transformation of industrial enterprises in 2019		23,162,200.00			23,162,200.00	Asset-related
Total	448,131,776.51	145,216,122.00	32,443,472.51	6,657,560.38	554,246,865.62	

5.35 Other non-current liabilities

Item	Ending balance	Beginning balance
Payment for Sunwoda Factory (Phase 2) in Nanjing.	113,708,288.50	
Total.	113,708,288.50	

5.36 Share capital

Item	Movement (“+” for increase and “-” for decrease)						Ending balance
	Beginning balance	New shares issued	Shares granted	Public reserve transferred to shares	Others	Sub-total	
Total shares . . .	1,569,135,331.00	6,750,000.00			-906,300.00	5,843,700.00	1,574,979,031.00

Other notes:

- (1) The Company issued the incentive restrictive stocks of 6,750,000.00 of Phase 3, leading to the increase of share capital by RMB6,750,000.00.
- (2) Due to the employee’s quit in the original incentive plan, the Company will repurchase the 906,300 restricted stocks at the granting price, which have been granted to the employee but not unlocked,. The share capital decreased by RMB906,300.00 accordingly.

5.37 Other equity instruments

5.37.1 Basic information of preferred shares, perpetual bonds and other financial instruments issued at the end of the period

Financial instruments issued externally	Date of issuance	Accounting classification	Dividend rate or interest rate	Issuing price	Quantity	Amount	Date of maturity or renewal	Conditions for conversion	Share conversion
123058-Xinwang Convertible Bonds. . . .	2020/7/14		1st year: 0.4% 2nd year: 0.6% 3rd year: 1.0% 4th year: 1.5% 5th year: 1.8% 6th year: 2.0%	100.00	11,200,000.00	1,120,000,000.00	July 13, 2026	N/A	
Total.				100.00	11,200,000.00	1,120,000,000.00			

5.37.2 Changes in preferred shares, perpetual bonds and other financial instruments issued at the end of the period

Financial instruments issued externally	Beginning balance		Additions during the year		Decrease during the year		Ending balance	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
123058-Xinwang Convertible Bonds . . .			11,200,000.00	72,174,079.25			11,200,000.00	72,174,079.25
Total			11,200,000.00	72,174,079.25			11,200,000.00	72,174,079.25

5.38 Capital reserves

Item	Beginning balance	Additions during the year	Decrease during the year	Ending balance
Capital premium (stock premium).	1,862,699,731.29	79,920,000.00	5,999,706.00	1,936,620,025.29
Other capital reserves . . .	11,827,804.33	284,230,827.52	4,506,092.28	291,552,539.57
Total	1,874,527,535.62	364,150,827.52	10,505,798.28	2,228,172,564.86

Other notes to the movement and the reasons of change:

The increase in the stock premium: RMB79,920,000.00 was increased due to implementation of the incentive restricted stocks of Phase 3;

The decrease in the stock premium: RMB5,999,706.00 was decreased caused by repurchase of the incentive restricted stocks of Phase 2;

The increase in other capital reserves: RMB277,524,277.88 increased for other capital reserves in the incentive restricted stocks implementation in Phase 3; RMB6,706,549.64 of other capital reserves was adjusted to reflect the shares change in wholly-owned subsidiary;

The decrease in other capital reserves: RMB1,696,074.72 of other capital reserves adjusted due to the change in non-controlling interests resulted from implementation of the restricted stocks of Phase 3 on employees from the non wholly-owned subsidiary; RMB2,810,017.56 of other capital reserves adjusted due to the shares change in wholly-owned subsidiary.

5.39 Treasury stocks

Item	Beginning balance	Additions during the year	Current decrease Decrease during the year	Ending balance
Accounts received for the restricted stocks with the obligation of repurchase	291,465,000.00	83,992,500.00	6,842,565.00	368,614,935.00
Total	291,465,000.00	83,992,500.00	6,842,565.00	368,614,935.00

Other notes to the movements and the reasons of change:

The subscription expense was paid when the object of the incentive plan of restricted stock of the Company subscribed the restricted stocks. When obtaining the subscription expense, the Company recognizes the share capital and capital reserves (stock premium) and confirms, in terms of the obligation of repurchase, one liability in full amount and the treasury stocks.

The decrease in 2020 refers to the treasury stocks transferred back due to the repurchase of the restricted stocks of Phase 3.

5.40 Other comprehensive income

	Current				
	Beginning balance	Pre-tax amount in the current period	Less: amount included in other comprehensive income in prior period and included in current profit or loss	Less: amount included in other comprehensive income in prior period and included in current retained income	Ending balance
1. Other comprehensive income to be not reclassified in profit or loss					
Including: Change in remeasurement under the defined benefit plan					
Other comprehensive income to be not reclassified to profit or loss under the equity method					
Changes in fair value of other equity instrument investment					
Changes in fair value of credit risk of the enterprise.					
2. Other comprehensive income to be reclassified in profit or loss	-608,522.40	2,747,179.23			
Including: other comprehensive income to be reclassified in profit or loss under equity method.					
Changes in fair value of other creditor's rights investment					
Profit or loss from change in fair value of the available-for-sale financial assets					
Amount included in other comprehensive income after reclassification of financial assets					
			Less: income tax expenses	After-tax amount attributable to the Company	After-tax amount attributable to Non-controlling shareholders
				2,747,070.86	108.37
					2,138,548.46

		Current						
	Beginning balance	Pre-tax amount in the current period	Less: amount included in other comprehensive income in prior period and included in current profit or loss	Less: amount included in other comprehensive income in prior period and included in current retained income	Less: income tax expenses	After-tax amount attributable to the Company	After-tax amount attributable to Non-controlling shareholders	Ending balance
Profit or loss from reclassification of held-to-maturity investment to available-for-sale financial assets								
Provision of credit impairment of other creditor's right investment								
Hedge reserve of cash flows (effective portion of profit or loss from hedge of cash flow)								
Translation differences of foreign currency financial statements	-608,522.40	2,747,179.23				2,747,070.86	108.37	2,138,548.46
Total of other comprehensive income . . .	-608,522.40	2,747,179.23				2,747,070.86	108.37	2,138,548.46

5.41 Surplus reserves

Item	Beginning balance	Beginning balance after adjustment	Current increase	Decrease during the year	Ending balance
Statutory surplus reserves	391,234,702.85	391,234,702.85	115,896,929.68		507,131,632.53
Total	391,234,702.85	391,234,702.85	115,896,929.68		507,131,632.53

5.42 Undistributed profit

Item	Current year	Prior year
Undistributed profits by the end of previous period before adjustment	2,226,732,690.93	1,764,139,257.53
Adjustment of total undistributed profits at the beginning of period (increase +, decrease -).		
Undistributed profits at the beginning of period after adjustment	2,226,732,690.93	1,764,139,257.53
Add: Current net profits attributable to owners of the Company .	801,955,406.21	750,965,900.34
Less: Drawing of statutory surplus reserves	115,896,929.68	87,168,124.90
Drawing of discretionary surplus reserves		
Drawing of general risk reserves		
Ordinary share dividends payable	109,751,392.17	201,207,125.78
Ordinary share dividends transferred to share capital		
Others		-2,783.74
Undistributed profits by the end of period	2,803,039,775.29	2,226,732,690.93

5.43 Operating revenue and cost of sales

5.43.1 Presentation of operating revenue and cost of sales

Item	Current year		Prior year	
	Revenue	Cost	Revenue	Cost
Primary business . . .	29,485,250,632.96	25,167,125,104.34	25,144,483,355.81	21,332,805,467.60
Other business	207,057,252.33	112,898,627.89	96,174,551.01	33,898,251.92
Total	29,692,307,885.29	25,280,023,732.23	25,240,657,906.82	21,366,703,719.52

Breakdown of operating revenue:

Item	Current year	Prior year
Primary operating revenue	29,485,250,632.96	25,144,483,355.81
Including: Sales of goods	29,485,250,632.96	25,144,483,355.81
Other operating revenue	207,057,252.33	96,174,551.01
Including: Income of raw materials	207,057,252.33	96,174,551.01
Total	29,692,307,885.29	25,240,657,906.82

5.43.2 Contractual income

Income of this period is presented below:

Contract classification	Current year
Classified by commodities:	
3C battery	20,554,158,822.10
EV battery	428,367,690.24
ESS	199,907,164.56
Smart hardware	6,367,522,001.27
Precision structural parts	1,650,063,991.63
Others	492,288,215.49
Total	29,692,307,885.29
Classified by operating areas:	
Northeast	1,798,502.22
North China	2,897,617,815.08
East China	1,155,973,685.39
South China	10,209,346,468.95
Central China	365,834,928.58
Southwest	549,617,996.36
Northwest	2,409,773.82
Export	14,509,708,714.89
Total	29,692,307,885.29

5.44 Taxes and surcharges

Item	Current year	Prior year
Urban maintenance and construction tax	33,821,404.50	32,955,339.32
Education surtax	26,329,827.55	24,009,434.41
Property tax	15,995,583.86	12,768,761.34
Land use tax	1,584,204.09	1,243,760.60
Stamp tax and others	26,378,561.00	26,596,383.84
Vehicle use tax	3,803.00	2,923.20
Total	104,113,384.00	97,576,602.71

5.45 Selling expenses

Item	Current year	Prior year
Employees' benefits	55,146,505.46	64,601,095.32
Depreciation charge	2,105,259.29	2,332,662.18
Business entertainment expenses	12,783,935.92	14,468,333.16
Transport expenses	74,020,046.95	93,552,058.65
Travel expenses	5,075,230.65	9,272,439.30
Export customs charge	4,997,091.36	4,020,120.78
Share-based payment	19,007,021.09	
Consulting fee	5,150,266.33	8,695,646.14
Material consumption	52,835,891.37	27,333,256.33
Product quality guarantee deposit	10,766,901.81	24,572,633.96
Others	11,151,840.31	11,383,653.02
Total	253,039,990.54	260,231,898.84

5.46 Administrative expenses

Item	Current year	Prior year
Employees' benefits	545,961,103.68	408,517,706.64
Depreciation charge	48,920,015.33	38,183,723.56
Amortization of intangible assets	19,571,805.76	14,219,227.44
Expenses of office affairs	18,852,902.42	18,343,032.46
Intermediary consulting service fee	29,923,194.38	21,007,909.79
Business entertainment expenses	20,848,585.83	18,821,045.06
Fees for water, power and property management	57,752,650.64	52,741,605.07
Rental	80,804,607.80	68,494,983.61
Amortization of long-term deferred expenses	31,221,838.36	33,433,376.17
Share-based payment	122,172,762.79	
Maintenance fee	15,297,224.39	12,363,073.00
Material consumption	50,884,486.55	83,299,665.12
Others	95,151,936.51	87,881,395.18
Total	1,137,363,114.44	857,306,743.10

5.47 Research and development expenses

Item	Current year	Prior year
Employees' benefits	652,220,541.18	545,889,344.44
Depreciation charge	187,216,501.98	106,301,045.55
Intermediary consulting service fee	9,873,053.47	13,587,907.34
Fees for water, power and property management	26,128,779.31	20,126,482.97
Rental	16,621,621.49	7,021,999.54
Amortization of long-term deferred expenses	8,853,931.91	10,042,946.89
Material consumption	730,496,562.85	748,074,744.62
Travel expense	6,681,711.10	9,180,833.91
Identification test fee	55,786,544.98	39,213,528.13
Share-based payment	88,241,637.34	
Others	24,166,423.64	23,232,400.16
Total	1,806,287,309.25	1,522,671,233.55

5.48 Finance expenses

Item	Current year	Prior year
Interest expenses	418,243,919.26	325,359,195.75
Less: interest incomes	93,693,920.19	40,564,904.19
Profit or loss on exchange	119,277,615.80	34,134,257.45
Bank charges for discounted notes	2,748,657.61	5,493,777.14
Others	53,915,035.34	55,377,065.13
Total	500,491,307.82	379,799,391.28

5.49 Other incomes

Item	Current year	Prior year
Government subsidies	157,013,476.39	105,499,781.22
Weighed input tax deduction	599,283.19	578,189.88
Exempted social insurance	4,730,983.47	
Value-added-tax immediately collected and refunded	8,778,011.74	709,508.64
Total	171,121,754.79	106,787,479.74

Government subsidies included in other incomes:

Subsidy items	Current year	Prior year	Asset-related/ Income-related
Key technology research and development of Heavy 20170083 300Wh/Kg lithium ion power battery	106,353.07	70,902.05	Asset-related
Test, research and application of Qi wireless charging technology	99,999.96	100,000.00	Asset-related
Research, development and industrial project of VR force/haptic interaction equipment . . .	256,391.35	172,758.91	Asset-related
Research, development and industrialization of battery group and battery management system of lithium-ion power battery of electronic vehicles.	351,228.86	270,554.88	Asset-related
Group technology and control system in terms of power and energy-storage battery.	12,529.11	23,009.77	Asset-related
Special fund for power lithium-ion battery. . . .	38,081.57	138,577.57	Asset-related
Fund of industrialized projects of distributed lithium battery energy storage system.	292,943.89	343,640.89	Asset-related
Funds of the Ministry of Industry and Information Technology for development of electronic information — research, development and industrialization of Sunwoda laptop battery	55,193.76	55,193.76	Asset-related
Public service platform of gathered innovation capacity construction projects of the National Enterprise Technology Center.	94,339.62	—	Asset-related
Research and development of all solid state lithium batteries and key materials based on material genomics technology	16,529.15	—	Asset-related
The first batch of funding plan for the special technological transformation investment project for technological multiplication — technological transformation and upgrading project of Sunwoda Guangming Industrial Park	4,074,033.03	—	Asset-related
Subsidies for application and research on key technology of family photovoltaic energy-storage system	59,901.72	150,524.84	Asset-related
High-flexibility digital factory for Pack assembly of lithium-ion power battery	717,012.96	14,695.92	Asset-related
Closed-loop quality test technology of Pack intelligent manufacturing production line of lithium battery	1,358,062.21	347,783.76	Asset-related
Integrated special fund for “Innovation chain + industrial chain” of independent development and application of Pack intelligent manufacturing production line for lithium ion batteries	1,624,434.13	548,063.32	Asset-related
Public service platform for test technology and research on lithium battery	39,999.96	40,000.00	Asset-related

Subsidy items	Current year	Prior year	Asset-related/ Income-related
Supporting fund of public service platform for test technology and research on lithium battery	—	10,000.00	Asset-related
Scale production and application of lithium-ion battery of light electric vehicles	—	1,000,000.00	Asset-related
Project fund for replacement of variable pump-motor power equipment with all-electric servo-system	288,218.04	288,218.04	Asset-related
Lab of group technology and control system engineering in terms of power and energy-storage battery in Shenzhen	515,600.28	515,600.28	Asset-related
Promotion project for technology reconstruction of Sunwoda Industrial Park	996,000.00	996,000.00	Asset-related
Technical transformation project of key material production enterprises for epidemic prevention and control	77,499.99	—	Asset-related
Research and development of optional complete equipment of new power battery	—	43,402.07	Asset-related
Supporting fund of Yuanzhou Town People’s Government on technology	7,814,400.98	3,829,772.92	Asset-related
The second batch of funding plan for major projects — technological transformation and upgrading project of Sunwoda Guangming Industrial Park	11,965,676.63	—	Asset-related
Investment subsidy for technical transformation multiplied by special technical transformation of Shenzhen Economic Trade and Informatization Commission	201,818.18	201,818.18	Asset-related
“Technical Equipment and Management Promotion Project of 2016 Robot, Wearable Equipment and Smart Device Industry Enterprises” provides funds for “Intelligent transformation project of polymer lithium battery automatic packaging production line”	999,999.99	999,999.93	Comprehensive
Supporting fund subsidies for import discount of the State	305,092.80	305,092.80	Comprehensive
Funds for research and development of “high energy density lithium ion battery of nickel-rich LiNi _{1-x-y} CoxMnyO ₂ cathode material with micro sodium structure	82,131.27	180,256.62	Comprehensive
Government subsidy for grants	27,265,598.23	19,070,000.00	Income-related
Government subsidies for scale growth of industrial enterprises	31,680,000.00	—	Income-related
Rewards for industry value-added	—	5,000,000.00	Income-related
Subsidy for promoting the first batch of enterprises in Guangming New District to be bigger and stronger	—	1,000,000.00	Income-related
Government subsidy for the national integration of Informatization and Industrialization	—	1,000,000.00	Income-related

Subsidy items	Current year	Prior year	Asset-related/ Income-related
Special fund for technology transformation . . .	1,233,200.00	1,065,000.00	Income-related
Subsidy for the first batch of technology plans in 2019 of the Science Innovation Committee	1,193,000.00	900,000.00	Income-related
Other government subsidies	39,228,441.59	26,815,408.21	Income-related
Supporting awards of enterprise technology center	—	5,000,000.00	Income-related
Government subsidy for financial assistance . . .	23,969,764.06	35,003,506.50	Income-related
Total	157,013,476.39	105,499,781.22	

5.50 Incomes from investment

Item	Current year	Prior year
Incomes from long-term equity investment calculated under equity method	66,664,176.20	143,266,047.58
Investment incomes from disposal of long-term equity investment		-195,377.29
Investment incomes from disposal of Financial assets held for trading	-24,306,596.26	-3,315,056.05
Investment incomes in the period of holding other non-current financial assets	4,000,000.00	392,000.00
Investment incomes from disposal of other non-current financial assets		4,998,000.00
Investment incomes from bank financing products	8,430.75	1,629,530.89
Total	46,366,010.69	146,775,145.13

5.51 Incomes from changes in fair value

Source of incomes from changes in fair value	Current year	Prior year
Financial assets held for trading	10,808,720.48	989,334.42
Including: income from changes in fair value arising from the derivative financial instruments		989,334.42
Other non-current financial assets	406,911,269.60	33,949,416.81
Financial liabilities held for trading	18,000,000.00	-19,760,064.88
Total	435,719,990.08	15,178,686.35

5.52 Losses on credit impairment

Item	Current year	Prior year
Loss on bad debts of accounts receivable	-41,778,572.20	-68,375,838.71
Loss on bad debts of other receivables	-21,133,360.99	-11,348,531.51
Total	-62,911,933.19	-79,724,370.22

5.53 Losses on asset impairment

Item	Current year	Prior year
Losses on decline in the value of inventory	-193,007,386.46	-123,516,346.98
Losses on impairment of long-term equity investment	-17,680,614.34	-10,332,054.64
Losses on impairment of fixed assets	-1,562,532.17	-686,030.26
Total	-212,250,532.97	-134,534,431.88

5.54 Incomes from disposal of assets

Item	Current year	Prior year	Amount included in non-recurring profit or loss in 2020
Profit or loss on disposal of fixed assets	-11,703,813.91	-1,613,449.27	-11,703,813.91
Total	-11,703,813.91	-1,613,449.27	-11,703,813.91

5.55 Non-operating income

Item	Current year	Prior year	Amount included in non-recurring profit or loss in 2020
Gains from disposal of non-current assets		104,311.19	
Incomes from waste	17,917,093.00	11,997,633.29	17,917,093.00
Incomes from penalty	19,010,963.35	2,481,741.49	19,010,963.35
Others	10,459,512.51	8,413,029.16	10,459,512.51
Total	47,387,568.86	22,996,715.13	47,387,568.86

5.56 Non-operating expense

Item	Current year	Prior year	Amount included in non-recurring profit or loss in 2020
Donations	10,552,560.59	8,028,200.00	10,552,560.59
Losses on damages and discard of non-current assets	35,141,100.17	5,111,367.80	35,141,100.17
Penalty	2,218,245.85	1,406,380.00	2,218,245.85
Others	9,550,795.54	3,529,847.74	9,550,795.54
Total	57,462,702.15	18,075,795.54	57,462,702.15

5.57 Income tax expenses

5.57.1 Statement of income tax expenses

Item	Current year	Prior year
Current income tax expenses	144,600,786.14	133,306,669.78
Deferred income tax expenses	22,393,278.15	-69,265,574.54
Total	166,994,064.29	64,041,095.24

5.57.2 Adjustment process of accounting profits and income tax expenses

Item	Current year
Total profit	967,255,389.21
Income tax expenses calculated at the statutory [or applicable] tax rate	145,088,308.38
Effect of different tax rates applicable to subsidiaries	-32,472,291.88
Effect of adjustment on income tax in previous periods	-6,490,861.24
Effect of tax-free income	-2,273,992.04
Effect of non-deductible costs, expenses and losses	25,929,671.10
Effect of use of the deductible losses of deferred income tax unrecognized in the previous period	18,044,231.52
Effect of deductible temporary differences or deductible losses from deferred income tax assets unrecognized in the current period	236,294,814.96
Change in balance of deferred income tax/liabilities at the beginning due to adjustment of tax payment	56,032.03
Extra deductible expense regulated by the tax law	-217,384,066.26
Others	202,217.72
Income tax expenses	166,994,064.29

5.58 Earnings per share

5.58.1 Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the Company by the weighted average number of external ordinary shares issued by the Company:

Item	Current year	Prior year
Consolidated net profit attributable to the ordinary shareholders of the Company	801,955,406.21	750,965,900.34
Weighted average number of external ordinary shares issued by the Company	1,530,885,331.00	1,546,982,900.00
Basic earnings per share		
Including: basic earnings per share from continuous operation	0.52	0.49
Basic earnings per share from discontinued operation		

5.58.2 Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit (dilution) attributable to the ordinary shareholders of the Company by the weighted average number (dilution) of the ordinary shares issued by the company externally:

Item	Current year	Prior year
Consolidated net profit (dilution) attributable to the ordinary shareholders of the Company	801,955,406.21	750,965,900.34
Weighted average number (dilution) of the ordinary shares issued by the company externally	1,569,065,509.20	1,547,373,796.74
Diluted earnings per share		
Including: diluted earnings per share from continued operation	0.52	0.49
Diluted earnings per share from discontinued operation		

5.59 Items in the statement of cash flows

5.59.1 Cash received from other operating activities

Item	Current year	Prior year
Interest income	79,451,038.22	40,695,429.91
Penalty income and other non-operating income	55,029,811.25	19,936,231.83
Government subsidies.	248,147,507.98	360,574,942.10
Deposits	11,295,045.71	314,463,352.03
Proceeds from other operating activities	66,848,458.74	87,114,111.53
Total.	460,771,861.90	822,784,067.40

5.59.2 Cash paid for other operating activities

Item	Current year	Prior year
Selling expenses paid in cash	127,266,298.20	161,236,513.49
Administrative expenses paid in cash	329,719,660.49	305,903,670.20
Research and development expenses paid in cash.	402,152,985.57	183,325,403.44
Finance expenses paid in cash	16,473,147.01	25,424,466.96
Donation expenditures	10,549,490.59	8,028,200.00
Deposits and margins	23,157,727.90	17,813,964.45
Payment for other operating activities	73,337,262.74	109,160,329.09
Total.	982,656,572.50	810,892,547.63

5.59.3 Cash received from other investment activities

Item	Current year	Prior year
Cash received for acquisition of subsidiaries	11,801,673.51	
Total.	11,801,673.51	

5.59.4 Cash paid for other investment activities

Item	Current year	Prior year
Ending cash from sales of subsidiaries		1,948,686.12
Loss from forward settlement and sales exchange		3,315,056.05
Total.		5,263,742.17

5.59.5 Cash received from other financing activities

Item	Current year	Prior year
Note and L/C deposit	1,491,682,234.67	
Financing funds from leaseback.	735,241,896.29	415,220,111.10
Note and L/C deposit		21,000,000.00
Borrowings from others	264,744,642.50	10,700,000.00
Total	2,491,668,773.46	446,920,111.10

5.59.6 Cash paid for other financing activities

Item	Current year	Prior year
Note and L/C deposit	853,374,916.61	449,125,379.86
Deposits for financing leases and relevant expenses	414,422,750.36	163,510,234.34
Expense for bond issuance	32,964,150.93	
Pledged bank deposit		1,463,714,426.83
Repurchase of stocks	6,906,006.00	201,604,725.35
Refunds to others	152,213,034.57	8,000,000.00
Total	1,459,880,858.47	2,285,954,766.38

5.60 Supplementary information to the statement of cash flows

5.60.1 Supplementary information to the statement of cash flows

Supplementary information	Current year	Prior year
1. Net profit adjusted to cash flows from operating activities		
Net profit	800,261,324.92	750,117,202.02
Add: Losses on credit impairment	62,911,933.19	79,724,370.22
Provision for asset impairment	212,250,532.97	134,534,431.88
Depreciation of fixed assets	479,408,690.29	421,995,740.78
Depreciation of gas assets		
Amortization of intangible assets	32,064,752.67	24,929,429.02
Amortization of long-term deferred expenses	153,141,121.33	109,264,827.95
Losses on disposal of fixed assets, intangible assets and other long-term assets (“-” for income)	11,703,813.91	1,613,449.27
Loss on write-off of fixed assets (“-” for income)	34,682,147.52	5,111,367.80
Loss from changes in fair value (“-” for income)	-435,719,990.08	-15,178,686.35
Finance expenses (“-” for income)	441,705,248.83	323,448,728.17
Investment loss (“-” for income)	-43,243,540.67	-146,775,145.13
Decreases in deferred tax assets (“-” for increase)	1,274,671.76	-106,378,945.99
Increases in deferred tax liabilities (“-” for decrease)	21,810,027.02	37,117,833.81
Decreases in inventories (“-” for increase)	-1,179,049,677.33	-889,445,864.62
Decreases in operating receivables (“-” for increase)	-2,980,760,009.40	-498,371,608.04
Decreases in operating payables (“-” for decrease)	2,366,361,065.43	512,249,658.14
Others	265,285,313.29	-111,601.50
Net cash flows from operating activities	244,087,425.65	743,845,187.43
2. Significant investment and financing activities not involving cash inflows and outflows		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3. Net change in cash and cash equivalents		
Ending balance of cash	2,362,810,717.86	1,787,421,127.02
Less: Beginning balance of cash	1,787,421,127.02	2,575,621,992.98
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	575,389,590.84	-788,200,865.96

5.60.2 Net cash paid for acquisition of subsidiaries in 2020

Item	Amount
Cash or cash equivalents paid in 2020 for business combination occurred in 2020 . .	10,408,000.00
Including: Superstar	10,408,000.00
Less: cash and cash equivalents held by subsidiaries on the date of acquisition. . . .	22,209,673.51
Including: Superstar	22,209,673.51
Add: cash and cash equivalents paid in 2020 for the business combination occurred in 2019	
Including: Superstar	
Net cash paid for acquisition of subsidiaries	-11,801,673.51

5.60.3 Breakdown of cash and cash equivalents

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
I. Cash	2,362,810,717.86	1,787,421,127.02
Including: Cash on hand	608,695.16	309,038.77
Unrestricted bank deposit	2,362,202,022.70	1,787,112,088.25
Other unrestricted cash balances		
II. Cash equivalents		
Including: Bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	2,362,810,717.86	1,787,421,127.02
Including: cash and cash restricted for use by the Company or subsidiaries within the group		

5.61 Asset with restriction on its ownership or use right

<u>Item</u>	<u>Ending balance</u>	<u>Reason for restriction</u>
Cash and cash equivalents	2,232,560,783.83	Pledge for borrowing and deposit for notes
Accounts receivable	224,190,424.69	Pledge for borrowing
Fixed assets	876,647,054.37	Mortgage for borrowing
Intangible assets	379,948,959.08	Mortgage for borrowing
Total	3,713,347,221.97	

5.62 Monetary items in foreign currency

5.62.1 Monetary items in foreign currency

<u>Item</u>	<u>Ending balance in foreign currency</u>	<u>Exchange rate</u>	<u>Ending balance translated in RMB</u>
Cash and cash equivalents			889,393,590.94
Including: USD	108,828,927.27	6.5249	710,097,867.54
TWD	882,255.00	0.2326	205,212.51
HKD	42,727.15	0.8416	35,959.17
EUR	36,958.39	8.0250	296,591.08
RUPEE	2,003,997,510.68	0.0892	178,756,577.95
AUD	275.64	5.0163	1,382.69
Accounts receivable			3,325,671,928.07
Including: USD	443,793,695.95	6.5249	2,895,709,486.70
TWD	5.89	0.2326	1.37
RUPEE	4,820,206,726.47	0.0892	429,962,440.00
Short-term borrowings			908,023,457.01
Including: USD	139,162,815.83	6.5249	908,023,457.01
Accounts payable			2,663,124,734.45
Including: USD	392,532,006.95	6.5249	2,561,232,092.15
EUR	289,404.42	8.0250	2,322,470.47
HKD	55,207,427.17	0.8416	46,462,570.71
JPY	23,356,800.00	0.0632	1,476,149.76
RUPEE	578,827,930.00	0.0892	51,631,451.36

5.62.2 Description of overseas entities, including the disclosure of principal overseas business locations, reporting currency and basis for selection of the significant overseas business entities, as well as reasons for changes in reporting currency if any

<u>Overseas operating entity</u>	<u>Principal place of business</u>	<u>Reporting currency</u>	<u>Basis for selecting reporting currency</u>
Xinwei Hong Kong	Hong Kong	HKD	Common currency in the place of business
Germany Subsidiary	Germany	EUR	Common currency in the place of business
India Subsidiary	India	RUPEE	Common currency in the place of business
Winone HK	Hong Kong	HKD	Common currency in the place of business
Winone India	India	RUPEE	Common currency in the place of business
Superstar (HK)	Hong Kong	HKD	Common currency in the place of business

5.63 Government subsidy

5.63.1 Asset-related government subsidy

<u>Type</u>	<u>Amount</u>	<u>Item presented in Balance Sheet</u>	<u>Amount included in profit and loss or offset relevant costs and expenses</u>		<u>Items included in profit and loss or offset relevant costs and expenses</u>
			<u>Current year</u>	<u>Prior year</u>	
Special fund for power lithium-ion battery		Deferred income	38,081.56	138,577.57	Other income
Funds of the Ministry of Industry and Information Technology for development of electronic information – research, development and industrialization of Sunwoda laptop battery	64,494.77	Deferred income	55,193.76	55,193.76	Other income
Lab of group technology and control system engineering in terms of power and energy-storage battery in Shenzhen.	1,540,957.11	Deferred income	515,600.28	515,600.28	Other income
Fund of industrialized projects of distributed lithium battery energy storage system	3,092,447.85	Deferred income	292,943.89	343,640.89	Other income
Supporting fund subsidies for import discount of the State	2,237,724.21	Deferred income	305,092.80	305,092.80	Other income
Group technology and control system in terms of power and energy-storage battery	39,354.13	Deferred income	12,529.11	23,009.77	Other income

Type	Amount	Item presented in Balance Sheet	Amount included in profit and loss or offset relevant costs and expenses		Items included in profit and loss or offset relevant costs and expenses
			Current year	Prior year	
Project fund for replacement of variable pump-motor power equipment with all-electric servo-system	336,788.27	Deferred income	288,218.04	288,218.04	Other income
Subsidies for application and research on key technology of family photovoltaic energy-storage system	265,959.78	Deferred income	59,901.72	150,524.84	Other income
Research, development and industrialization for new power management system of lithium battery for electric vehicles	6,237,894.07	Deferred income	351,228.86	270,554.88	Other income
Research and development of all solid state lithium batteries and key materials based on material genomics technology	813,470.85	Deferred income	16,529.15		Other income
Research, development and industrial project of VR force/haptic interaction equipment	1,574,652.50	Deferred income	256,391.35	172,758.91	Other income
Key technology research and development of Heavy 20170083 300Wh/Kg lithium ion power battery	3,822,744.88	Deferred income	106,353.07	70,902.05	Other income
Funds for research and development of “high energy density lithium ion battery of nickel-rich LiNi _{1-x-y} CoxMnyO ₂ cathode material with micro sodium structure	2,617,612.11	Deferred income	82,131.27	180,256.62	Other income
“Technical Equipment and Management Promotion Project of 2016 Robot, Wearable Equipment and Smart Device Industry Enterprises” provides funds for “Intelligent transformation project of polymer lithium battery automatic packaging production line”.	1,000,000.11	Deferred income	999,999.99	999,999.93	Other income
Integrated special fund for “Innovation chain + industrial chain” of independent development and application of Pack intelligent manufacturing production line for lithium ion batteries	7,088,862.67	Deferred income	839,876.99	548,063.32	Other income

Type	Amount	Item presented in Balance Sheet	Amount included in profit and loss or offset relevant costs and expenses		Items included in profit and loss or offset relevant costs and expenses
			Current year	Prior year	
Integrated special fund for “Innovation chain + industrial chain” of independent development and application of Pack intelligent manufacturing production line for lithium ion batteries	7,238,639.88	Deferred income	784,557.14		Other income
Promotion project for technology reconstruction of Sunwoda Industrial Park . . .	2,158,000.00	Deferred income	996,000.00	996,000.00	Other income
The first batch of funding plan for the special technological transformation investment project for technological multiplication — technological transformation and upgrading project of Sunwoda Guangming Industrial Park.	925,966.97	Deferred income	4,074,033.03		Other income
The second batch of funding plan for major projects – technological transformation and upgrading project of Sunwoda Guangming Industrial Park.	11,004,323.37	Deferred income	11,965,676.63		Other income
Technical transformation project of key material production enterprises for epidemic prevention and control.	232,500.01	Deferred income	77,499.99		Other income
Public service platform of gathered innovation capacity construction projects of the National Enterprise Technology Center		Deferred income	94,339.62		Other income
Public service platform for test technology and research on lithium battery.	73,333.38	Deferred income	39,999.96	40,000.00	Other income
Test, research and application of Qi wireless charging technology	500,000.04	Deferred income	99,999.96	100,000.00	Other income
Closed-loop quality test technology of Pack intelligent manufacturing production line of lithium battery.	2,794,154.03	Deferred income	1,358,062.21	347,783.76	Other income
High-flexibility digital factory for Pack assembly of lithium- ion power battery.	194,094.88	Deferred income	717,012.96		Other income
Supporting fund of Yuanzhou Town People’s Government on technology	360,411,994.46	Deferred income	7,814,400.99	3,829,772.92	Other income

Type	Amount	Item presented in Balance Sheet	Amount included in profit and loss or offset relevant costs and expenses		Items included in profit and loss or offset relevant costs and expenses
			Current year	Prior year	
Investment subsidy for technical transformation multiplied by special technical transformation of Shenzhen Economic Trade and Informatization Commission	134,545.46	Deferred income	201,818.18	201,818.18	Other income
Research and development of optional complete equipment of new power battery				43,402.07	Other income
Scale production and application of lithium-ion battery of light electric vehicles				1,000,000.00	Other income
Supporting fund of public service platform for test technology and research on lithium battery				10,000.00	Other income
Special subsidy for high-flexibility digital factories for Pack assembly of lithium-ion power battery				14,695.92	Other income
Total	416,400,515.79		32,443,472.51	10,645,866.51	

5.63.2 Income-related government subsidy

Type	Amount	Amount included in profit and loss or offset relevant costs and expenses		Items included in profit and loss or offset relevant costs and expenses
		Current year	Prior year	
Government subsidy for grants	46,335,598.23	27,265,598.23	19,070,000.00	Other income
Government subsidies for scale growth of industrial enterprises	31,680,000.00	31,680,000.00		Other income
Rewards for industry value-added	5,000,000.00		5,000,000.00	Other income
Subsidy for promoting the first batch of enterprises in Guangming New District to be bigger and stronger	1,000,000.00		1,000,000.00	Other income
Government subsidy for the national integration of Informatization and Industrialization	1,000,000.00		1,000,000.00	Other income
Special fund for technology transformation	2,298,200.00	1,233,200.00	1,065,000.00	Other income
Subsidy for the first batch of technology plans in 2019 of the Science Innovation Committee . . .	2,093,000.00	1,193,000.00	900,000.00	Other income
Other government subsidy . .	66,043,849.80	39,228,441.59	26,815,408.21	Other income

Type	Amount	Amount included in profit and loss or offset relevant costs and expenses		Items included in profit and loss or offset relevant costs and expenses
		Current year	Prior year	
Supporting awards of enterprise technology center	5,000,000.00		5,000,000.00	Other income
Government subsidy for financial assistance	58,973,270.56	23,969,764.06	35,003,506.50	Other income
Total	219,423,918.59	124,570,003.88	94,853,914.71	

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business combination not under the common control

6.1.1 Business combination not under the common control occurred in the current period

Name of acquiree	Time of point of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition	Way of equity acquisition	Date of acquisition	Basis for determination of the date of acquisition	Income of the acquiree from the date of acquisition to the end of the period	Net profit of the acquiree from the date of acquisition to the end of the period
			(%)					
Superstar	2020.12.31	10,408,000.00	51.00	Cash	31 December 2020	Alteration at Administration for Business and Industry		

6.1.2 Combination cost and goodwill

	Superstar
Combination cost	
— Cash	10,408,000.00
Total combination cost	10,408,000.00
Less: shares in fair value of the identifiable net assets acquired	17,322,595.09
The different between the goodwill/combination cost and the shares in fair value of the identifiable net assets acquired	-6,914,595.09

6.1.3 The identifiable assets and liabilities of the acquiree on the date of acquisition

	Superstar	
	Fair value on the date of acquisition	Carrying amount on the date of acquisition
Assets:	145,002,933.98	145,002,933.98
Cash and cash equivalents	22,209,673.51	22,209,673.51
Receivables	42,251,837.80	42,251,837.80
Inventories	73,844,702.02	73,844,702.02
Fixed assets	1,220,847.50	1,220,847.50
Construction in progress	63,070.49	63,070.49
Intangible assets	517,174.13	517,174.13
Long-term deferred expense	4,895,628.53	4,895,628.53

	Superstar	
	Fair value on the date of acquisition	Carrying amount on the date of acquisition
Liabilities:	111,037,061.26	111,037,061.26
Borrowing		
Payables.	111,037,061.26	111,037,061.26
Deferred tax liabilities		
Net assets	33,965,872.72	33,965,872.72
Less: non-controlling interests.		
Net assets acquired.	33,965,872.72	33,965,872.72

6.2 Changes in the scope of consolidation for other reasons

1. This year, 14 newly established subsidiaries are included in the consolidated financial statements, including Shenzhen Sunynn, Hunan Sunynn, Shenzhen Xindong Energy, Xinneng Nanjing, Sunwoda Property, Zhejiang Sunwoda, Zhejiang Xindong Energy, Huizhou Xindong Energy, Winone HK, Winone India, Dongguan Intelligent Hardware, Hunan Sunwinon, Huizhou Xinwei Intelligence, and Zhejiang Liwinon.
2. One subsidiary, Financial Lease Company, was disposed of in this year.

7. EQUITY IN OTHER ENTITIES

7.1 Equity in subsidiaries

7.1.1 Structure of the enterprise group

Names of subsidiaries	Operating address	Registered place	Nature of business	Proportion of shareholders (%)		Way of acquisition
				Directly	Indirectly	
Xinwei Electronic . .	Shenzhen	Shenzhen	Manufacturing	100.00		Business combinations under common control
Xinwei Hong Kong	Hong Kong	Hong Kong	Trade	100.00		Establishment
Financing Lease Company	Shenzhen	Shenzhen	Finance	45.00	55.00	Establishment
Germany Subsidiary.	Germany	Germany	Trade		100.00	Establishment
India Subsidiary.	India	India	Manufacturing		99.99	Establishment
Sunsaint Electronic. .	Hong Kong	Hong Kong	Trade		100.00	Establishment
Santo Electronic . . .	The British Virgin Islands	The British Virgin Islands	Trade		100.00	Establishment
Sinaean Electronic . .	Cayman Islands	Cayman Islands	Trade		100.00	Establishment
Xinwei Intelligence	Shenzhen	Shenzhen	Wholesale and retail		100.00	Establishment
Huizhou New Energy	Huizhou	Huizhou	Manufacturing	98.00	2.00	Establishment
Electric Vehicle Battery	Shenzhen	Shenzhen	Manufacturing		100.00	Establishment

Names of subsidiaries	Operating address	Registered place	Nature of business	Proportion of shareholders (%)		Way of acquisition
				Directly	Indirectly	
Huizhou Electric Vehicle Battery . .	Huizhou	Huizhou	Manufacturing		100.00	Establishment
Power New Energy	Huizhou	Huizhou	Manufacturing		100.00	Establishment
Liuzhou Sunwoda . .	Liuzhou	Liuzhou	Manufacturing		100.00	Establishment
Putian Sunwoda . . .	Putian	Putian	Manufacturing		100.00	Establishment
Nanjing New Energy	Nanjing	Nanjing	Manufacturing		72.81	Establishment
Xinneng Nanjing . . .	Nanjing	Nanjing	Manufacturing		100.00	Establishment
Huizhou Intelligent Industry	Huizhou	Huizhou	Manufacturing		100.00	Establishment
Sunwoda Electrical . .	Shenzhen	Shenzhen	Manufacturing	100.00		Establishment
PTL	Shenzhen	Shenzhen	Testing	100.00		Establishment
Qianhai Hongsheng	Shenzhen	Shenzhen	Manufacturing and investing	100.00		Establishment
Dianjin Factoring . . .	Shenzhen	Shenzhen	Finance		60.00	Business combination not under common control
Yisheng Investment	Shenzhen	Shenzhen	Investment		100.00	Business combination not under common control
Green Energy	Shenzhen	Shenzhen	Manufacturing		51.00	Establishment
Winone Precision . . .	Huizhou	Huizhou	Manufacturing		100.00	Establishment
Winone HK	Hong Kong	Hong Kong	Manufacturing		100.00	Establishment
Winone India	India	India	Manufacturing		100.00	Establishment
Dongguan Hongsheng Technology	Dongguan	Dongguan	Manufacturing		100.00	Establishment
Haixi Yueshan Membrane	Delingha	Delingha	Manufacturing		50.10	Business combination not under common control
Dongguan Liwinon . .	Dongguan	Dongguan	Manufacturing	100.00		Business combination not under common control
Integrated Energy . . .	Shenzhen	Shenzhen	Manufacturing	100.00		Establishment
Yuke PV	Yuzhou	Yuzhou	Electric power		90.00	Business combination not under common control
Qinghai New Energy	Xining	Xining	Manufacturing		100.00	Establishment
Sunwoda Intelligent Technology	Shenzhen	Shenzhen	Manufacturing	100.00		Establishment
Shenzhen Sunwinon	Shenzhen	Shenzhen	Manufacturing	100.00		Establishment
Huizhou Sunwinon . .	Huizhou	Huizhou	Manufacturing		100.00	Establishment
Dongguan Intelligent Hardware	Dongguan	Dongguan	Manufacturing		100.00	Establishment
Hunan Sunwinon . . .	Changsha	Changsha	Manufacturing		100.00	Establishment

Names of subsidiaries	Operating address	Registered place	Nature of business	Proportion of shareholders (%)		Way of acquisition
				Directly	Indirectly	
Huizhou Xinwei Intelligence	Huizhou	Huizhou	Manufacturing		100.00	Establishment
Huizhou Liwinon . . .	Huizhou	Huizhou	Manufacturing	80.00	20.00	Establishment
Huizhou Liwinon Electronics	Huizhou	Huizhou	Manufacturing		51.00	Establishment
Dongguan Liwinon Electronics	Dongguan	Dongguan	Manufacturing		51.00	Establishment
Zhejiang Liwinon . .	Lanxi	Lanxi	Manufacturing		100.00	Establishment
Xinxiangrong	Shenzhen	Shenzhen	Business service	51.00		Establishment
Shenzhen Sunynn . .	Shenzhen	Shenzhen	Manufacturing	100.00		Establishment
Hunan Sunynn	Changsha	Changsha	Manufacturing		100.00	Establishment
Shenzhen Xindong Energy	Shenzhen	Shenzhen	Manufacturing	60.00		Establishment
Sunwoda Property . .	Shenzhen	Shenzhen	Service	100.00		Establishment
Zhejiang Sunwoda . .	Lanxi	Lanxi	Manufacturing	100.00		Establishment
Zhejiang Xindong Energy	Lanxi	Lanxi	Manufacturing	60.00		Establishment
Huizhou Xindong Energy	Huizhou	Huizhou	Manufacturing		100.00	Establishment
Superstar	Shenzhen	Shenzhen	Manufacturing	51.00		Business combination not under common control
Huaxin Zhilian	Shenzhen	Shenzhen	Software		100.00	Business combination not under common control
Superstar Hong Kong	Hong Kong	Hong Kong	Trade		100.00	Business combination not under common control

7.2 Equity in joint venture arrangements or associates

7.2.1 Significant joint ventures or associates

Name of joint venture or associate	Operating address	Registered place	Nature of business	Proportion of shareholders (%)		Accounting treatment method for investments in joint ventures or associates	Whether the Company's activities are strategic
				Directly	Indirectly		
Fengsheng Liuhe New Energy	Ningbo	Ningbo	Investment	38.02		Equity method	No

7.2.2 Key financial information of significant associates

	Ending balance/Current year		Beginning balance/Prior year	
	Fengsheng Liuhe New Energy	Xingzhiyoudao	Fengsheng Liuhe New Energy	Xingzhiyoudao
Current assets	8,629,287.77		13,057,721.93	15,401,731.10
Non-current assets	571,839,784.44		507,368,086.88	15,600,445.50
Total assets	580,469,072.21		520,425,808.81	31,002,176.60
Current liabilities	612,273.18		1,211,059.05	8,709,840.48
Non-current liabilities				7,792,992.19
Total liabilities	612,273.18		1,211,059.05	16,502,832.67
Equity attributable to non- controlling shareholders				
Equity attributable to the shareholders of the Company	579,856,799.03		519,214,749.76	14,499,343.93
Share of net assets calculated at proportion of shareholders	220,102,471.78		197,405,447.86	4,729,685.99
Items adjusted				
— Goodwill				
— Unrealized profit of internal transactions				
— Others				
Carrying amount of equity investment to associates	220,102,471.78		197,405,447.86	
Fair value of equity investment to associates with public quotation				
Operating revenue				19,503,605.54
Net profit	181,599,170.83		397,322,628.20	-19,191,734.34
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income			397,322,628.20	-19,191,734.34
Dividends received from associates in 2020	41,357,181.17			

7.2.3 Summarized financial information of the insignificant joint ventures or associates

	Ending balance/current year	Beginning balance/Prior year
Associates:		
Total of investment carrying amount	96,256,451.75	97,566,895.64
Total amount calculated based on proportion of the shareholders		
— Net profit	-2,379,829.55	-7,796,015.66
— Other comprehensive income		
— Total comprehensive income	-2,379,829.55	-7,796,015.66

8. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

8.1 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. The Company's credit risk is primarily attributable to receivables from sales of goods. The Company has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers without additional approval. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

The Company monitors credit ratings of existing customers quarterly, and reviews aging analysis of accounts receivable monthly to ensure the credit risk is under control. Customers shall be divided into groups based on their credit features during monthly review. Customers identified as "high risk" will be regarded as restricted party and required prepayments unless additional approval is obtained.

8.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

The Company is committed to cover expected cash demands. Liquidity risk is under centralized control of the financial department of the Company, who manages cash, high-liquid securities and makes rolling forecast on cash flows of the next 12 months to ensure that the Company has sufficient funds to repay debts on the condition of reasonable prediction. Besides, the finance department also monitors the Company's compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Financial liabilities are presented at undiscounted contractual cash flows on the maturity date as follows:

Item	Ending balance				
	Within 6 months	6 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	4,558,171,437.54	1,592,780,668.78			6,150,952,106.32
Notes payable	2,726,862,444.18			2,726,862,444.18	
Accounts payable	7,066,202,374.64			7,066,202,374.64	
Other payables	234,339,946.59	110,577,088.50	583,704,487.46		928,621,522.55
Non-current liabilities					
due within one year	362,771,230.72	338,970,006.20			701,741,236.92
Long term borrowings	77,560,000.00	77,560,000.00	1,424,752,290.25	70,760,000.00	1,650,632,290.25
Bonds payable			2,008,188,216.88		2,008,188,216.88
Long-term payables			313,088,455.42		313,088,455.42
Total	15,025,907,433.67	2,119,887,763.48	4,329,733,450.01	70,760,000.00	21,546,288,647.16

Item	Beginning balance				
	Within 6 months	6 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	3,862,903,791.63	1,695,893,233.63			5,558,797,025.26
Financial liabilities held					
for trading	1,760,064.88		54,260,000.00		56,020,064.88
Notes payable	2,583,340,564.04				2,583,340,564.04
Accounts payable	5,463,471,583.32				5,463,471,583.32
Other payables	148,072,157.17	148,735,302.26	409,458,209.61		706,265,669.04
Non-current liabilities					
due within one year	710,176,693.15	401,792,323.49			1,111,969,016.64
Long term borrowing			563,538,256.25	249,000,000.00	812,538,256.25
Long-term payables			253,289,464.14		253,289,464.14
Total	12,769,724,854.19	2,246,420,859.38	1,280,545,930.00	249,000,000.00	16,545,691,643.57

8.3 Market risk

Market risk associated with financial instruments refers to the risk from the fluctuations in the fair value or future cash flows of financial instruments due to variations in market prices, including exchange rate risk, interest rate risk, etc.

8.3.1 Interest rate risk

Interest rate risk is the risk arising from changes in fair value or future cash flows of financial instruments due to fluctuation in market interest rate.

Short-term borrowings of the Company are subject to a fixed interest rate. The interest rate risk mainly derives from long-term bank borrowings and financing lease payments. The Company establishes good relations with banks to ensure credit lines, credit varieties and credit period meet the needs of short-term financing activities.

As at 31 December 2020, assuming other variables remain unchanged, if the interest rate rises or falls by 50 base points, the impact on net profit is listed as follows. From the opinion of the management, 50 base points reflects the range of the possible fluctuation of interest rates.

Changes in interest rate	Impact on net profit
	Year 2020
Increase by 50 base points	-7,534,705.47
Decrease by 50 base points	7,534,705.47

8.3.2 Exchange rate risk

Exchange rate risk is the risk arising from changes in fair value or future cash flows of financial instruments due to fluctuation in foreign exchange rate. The Company manages its foreign exchange risks to minimize these exposures. Besides, foreign exchange contracts or currency swap contracts are considered to avoid exchange rate risks. The Company signed agreements for foreign exchange forward transaction in 2020 but didn't sign it in 2019.

Exchange rate risk of the Company mainly derives from the dollar-denominated financial assets and financial liabilities, and the foreign currency financial assets and financial liabilities are translated into RMB with amounts listed below:

Item	Ending balance				Beginning balance		
	USD	RUPEE	Other foreign currencies	Total	USD	RUPEE	Other foreign currencies
Foreign currency financial assets							
Cash and cash equivalents	710,097,867.57	178,756,577.95	539,103.05	889,393,548.57	1,195,003,833.94	376,063,726.35	107,112,892.15
Accounts receivable	2,895,709,486.80	429,962,440.00	1.37	3,325,671,928.17	2,419,398,164.01	554,514,859.74	1.37
Subtotal	3,605,807,354.37	608,719,017.95	539,104.42	4,215,065,476.74	3,614,401,997.95	930,578,586.09	107,112,893.52
Foreign currency financial liabilities							
Short-term borrowings	908,023,457.04			908,023,457.04	848,294,814.66		105,657,612.17
Accounts payable	2,561,232,092.24	51,631,451.36	50,264,240.07	2,663,127,783.67	1,539,113,810.90	1,516,061,372.01	3,310,767.64
Subtotal	3,469,255,549.28	51,631,451.36	50,264,240.07	3,571,151,240.71	2,387,408,625.56	1,516,061,372.01	108,968,379.81
Net amount	136,551,805.09	557,087,566.59	-49,725,135.65	643,914,236.03	1,226,993,372.39	-585,482,785.92	-1,855,486.29

As at 31 December 2020, assuming all other variables remain unchanged, if the exchange rate of RMB to USD appreciates or depreciates by 2%, the net profit will be increased or decreased by RMB10,946,542.01 (December 31, 2019: RMB10,874,136.70). The management considers that 2% reflects the rational scope of fluctuations of the exchange rate of RMB to USD in the next year.

9. DISCLOSURE OF FAIR VALUE

The level in which fair value measurement is categorized are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The level of fair value measurement depends on the lowest level of input values that are of great significance to the fair value measurement.

9.1 Ending fair value of assets and liabilities measured at fair value

Item	Ending fair value			Total
	First-level fair value measurement	Second-level fair value measurement	Third-level fair value measurement	
I. Continued fair value measurement				
Financial assets held for trading	10,037,990.02	200,000.00		10,237,990.02
1. Financial assets measured at fair value through current profit or loss	10,037,990.02	200,000.00		10,237,990.02
(1) Derivative financial assets	10,037,990.02			10,037,990.02
(2) Others		200,000.00		200,000.00
◆ Receivables financing . .		321,122,653.88		321,122,653.88
◆ Other non-current financial assets	576,065,242.94		188,628,873.00	764,694,115.94
1. Financial assets measured at fair value through current profit or loss	576,065,242.94		188,628,873.00	764,694,115.94
(1) Equity instrument investment	576,065,242.94		188,628,873.00	764,694,115.94
Total assets continuously measured at fair value . .	586,103,232.96	321,322,653.88	188,628,873.00	1,096,054,759.84

9.2 Basis for determination of market price of items measured at the first-level fair value on a recurring and non-recurring basis

The items measured at the first-level fair value of the Company are the forward foreign exchange settlement and sale contracts and stocks of listing companies, which are measured at the first-level fair value based on the forward foreign exchange price or stock price quoted publicly.

9.3 Valuation techniques and qualitative and quantitative information of the critical parameters adopted for the items measured at second-level fair value on a recurring and non-recurring basis

The items measured at the second-level fair value of the Company are bank acceptance and financial products. Because of the short remnant term of bank acceptance, relatively low investment income of financial products and similar carrying amount as the fair value, the fair value is measured using the carrying amount on the measurement date.

9.4 Qualitative and quantitative information of the valuation technology and crucial parameters adopted for the items measured at the third-level fair value on a recurring and non-recurring basis

Item	Ending fair value	Valuation technique	Unobservable input value
Equity instrument investment-investment in the equity instrument of a non-listed company	188,628,873.00	Market method/ asset basis method	Price Earnings Ratio (PER)/ liquidity discount of comparable companies in the same industry

10. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

10.1 Parent company of the Company

Parent company	Place of registration	Business nature	Registered capital	Proportion of shareholders of Parent Company in the Company (%)	Proportion of v power of Parent Company in the Company (%)
Wang Mingwang and Wang Wei (persons acting in concert)				34.18	34.18

10.2 Subsidiaries of the Company

See “Note 7 Interests in other entities” for subsidiaries of the Company.

10.3 Joint ventures and associates of the Company

See “Note 7 Interests in other entities” for the significant joint ventures and associates of the Company.

10.4 Other related parties

Other related parties	Relationship with the Company
Wang Hua.	A relative of the controlling shareholder of the Company
Cai Di'e	A relative of the controlling shareholder of the Company
Wang Yu.	A relative of the controlling shareholder of the Company
Wang Lin	A relative of the controlling shareholder of the Company
Lai Xin.	A relative of the controlling shareholder of the Company
Lai Xing.	A relative of the controlling shareholder of the Company
Zhao Zhiyin	A relative of the controlling shareholder of the Company
Wang Meirong	A relative of the controlling shareholder of the Company
Xiao Guangyu.	Director, Chief Financial Officer, Deputy General Manager
Zeng Di	Director, Board Secretary, Deputy General Manager
Liang Rui	Deputy General Manager
Zhou Xiaoxiong	Director
Yu Xinhua	Resigned from director in 2020
Liu Muhua	Resigned from independent director in 2020

Other related parties	Relationship with the Company
Zhang Jianjun	New independent director took office in 2020
Zhong Mingxia	Independent director
Liu Zhengbing	Independent director
Yuan Huiqiong	Chairman of Board of Supervisors
Zhou Ying	Resigned from supervisor in 2020
Liu Rongbo.	New supervisor took office 2020
Li Weihong.	Supervisor
Shenzhen Xinmeida Technology Co., Ltd. (“Xinmeida Technology”)	A company under control of the relative of the Company’s controlling shareholder
Nanjing JSE Technology Co., Ltd. (“Nanjing JSE”).	A company who holds shares in the Company
Shenzhen Xingdao Auto Service Partnership (Limited Partnership) (“Xingdao Auto”).	A company under control of the Controlling Shareholders of the Company
Guangzhou YONEGY Logistics Automatic Equipment Technology Co., Ltd. (“YONEGY Logistics”)	A company that the director works in.
Shenzhen Qianhai Haotian Investment Management Partnership (Limited Partnership) (hereinafter referred to as Qianhai Haotian)	A company under control of the Controlling Shareholder of the Company

10.5 Related party transactions

10.5.1 Purchase or sale of goods, and rendering or receipt of labor services

Table of purchase of goods and receipt of labor services

Related parties	Related party transaction	Current year	Prior year
Xinmeida Technology	Purchase of materials		187,496.55
Nanjing JSE.	Purchase of materials		7,502,001.51
Xingzhiyoudao	Auto rental		18,584.07

Table of sales of goods and rendering of labor services

Related parties	Related party transactions	Current year	Prior year
Xingzhiyoudao	Auto rental		2,493,482.36

10.5.2 Related-party guarantee

The Company as the Warrantee:

<u>Guarantor</u>	<u>Amount guaranteed</u>	<u>Starting date of the guarantee</u>	<u>Maturity date of the guarantee</u>	<u>Fulfilled completely</u>
Wang Mingwang and Wang Wei	29,000,000.00	2020/1/14	2021/1/14	No
Wang Mingwang and Wang Wei	99,000,000.00	2020/1/10	2021/1/10	No
Wang Mingwang and Wang Wei	160,000,000.00	2020/1/22	2021/1/8	No
Wang Mingwang and Wang Wei	100,000,000.00	2020/2/19	2021/1/8	No
Wang Mingwang and Wang Wei	40,000,000.00	2020/3/16	2021/1/8	No
Wang Mingwang, Wang Wei, Cai Di'er and Zhao Zhiyin.	200,000,000.00	2020/12/21	2021/12/20	No
Wang Mingwang and Wang Wei	50,000,000.00	2020/3/12	2021/3/12	No
Wang Mingwang and Wang Wei	150,000,000.00	2020/1/2	2021/1/2	No
Wang Mingwang and Wang Wei	100,000,000.00	2020/2/19	2021/2/18	No
Wang Mingwang and Wang Wei	150,000,000.00	2020/3/12	2021/3/12	No
Wang Mingwang and Wang Wei	100,000,000.00	2020/5/15	2021/5/15	No
Wang Mingwang and Wang Wei	100,000,000.00	2020/6/12	2021/6/12	No
Shenzhen Sunwoda Electric Technology Co., Ltd., Wang Mingwang and Wang Wei	100,000,000.00	2020/6/28	2021/6/28	No
Wang Mingwang and Wang Wei	200,000,000.00	2020/8/3	2021/8/3	No
Wang Mingwang and Wang Wei	60,000,000.00	2020/9/28	2021/3/26	No
Wang Mingwang and Wang Wei	37,000,000.00	2020/10/13	2021/10/12	No
Wang Mingwang and Wang Wei	150,000,000.00	2020/10/29	2021/10/29	No
Wang Mingwang and Wang Wei	58,000,000.00	2020/11/13	2021/5/13	No
Wang Mingwang and Wang Wei	41,000,000.00	2020/11/18	2021/3/18	No
Wang Mingwang and Wang Wei	58,382,551.94	2020/12/16	2021/4/15	No
Wang Mingwang and Wang Wei	42,000,000.00	2020/12/18	2021/6/18	No
Wang Mingwang and Wang Wei	20,000,000.00	2020/12/29	2021/12/28	No
Wang Mingwang and Wang Wei	91,348,600.00	2020/3/23	2021/3/13	No

Guarantor	Amount guaranteed	Starting date of the guarantee	Maturity date of the guarantee	Fulfilled completely
Wang Mingwang and Wang Wei	78,298,800.00	2020/7/29	2021/1/29	No
Wang Mingwang and Wang Wei	47,419,319.26	2020/9/10	2021/1/22	No
Wang Mingwang and Wang Wei	96,047,100.30	2020/10/30	2021/4/28	No
Wang Mingwang and Wang Wei	92,370,096.78	2020/11/30	2021/5/29	No
Wang Mingwang and Wang Wei	99,445,482.43	2020/11/30	2021/2/28	No
Wang Mingwang and Wang Wei	142,098,058.24	2020/12/16	2021/3/16	No
Wang Mingwang and Wang Wei	260,996,000.00	2020/12/30	2021/12/30	No

10.5.3 Remuneration of directors, senior management and supervisors

Item	Current year	Prior year
Remuneration of directors, senior management and supervisors.	9,064,493.05	9,566,302.92

10.5.4 Related party transactions of joint investment

Joint investor	Investee	Principal business of the investee	Registered capital of the investee (RMB)	Total assets of the investee (RMB)	Net assets of the investee (RMB)	Net profit of the investee (RMB)
Current year:						
Wang Mingwang, Wang Wei, Xiao Guangyu, Zeng Di and Liang Rui	Superstar	Technical research and development, technical consultation and sales of automation equipment, NC equipment, automatic production line, instruments, meters and accessories	20,408,000	137,809,200	27,025,000	4,621,700
Wang Mingwang, Wang Wei, Xiao Guangyu and Zeng Di	Winone Precision	Technology promotion and application of precision plastic, hardware and electronic products	83,333,300	1,130,703,400	133,372,400	12,385,900
Wang Mingwang, Wang Wei, Xiao Guangyu and Zeng Di	Shenzhen Sunynn	Development and sales of earphone, stereo, watch, bracelet, glasses, helmet, acousto-optic products, wireless communication products and consumer electronic products	50,000,000	217,747,100	-8,659,100	-27,248,900

Joint investor	Investee	Principal business of the investee	Registered capital of the investee	Total assets of the investee	Net assets of the investee	Net profit of the investee
			(RMB)	(RMB)	(RMB)	(RMB)
Wang Mingwang	Suzhou Xysemi Electronic Technology Co., Ltd.	Research, development, design and sales of IC chips, and supply of technical services and consulting for related products	59,937,200			
Wang Mingwang, Wang Wei and Xiao Guangyu	Zhejiang Xindong Energy	Battery manufacturing; battery sales; manufacturing of smart home consumer device; sales of smart home consumer devices; manufacturing of wearable smart device; sales of wearable smart device	50,000,000	340,602,000	44,012,400	-6,567,700
Prior year:						
Qianhai Hongsheng \ Qianhai Haotian . . .	Research Institute of Membrane Separation Technology of Shaanxi Province co, ltd		120,000,000			
Qianhai Hongsheng \ Qianhai Haotian . . .	Xi'an Jinzang Membrane Environmental Protection Technology Co., Ltd.		54,800,000			

10.6 Receivables from and payables to related parties

10.6.1 Receivables

Item	Related party	Ending balance		Beginning balance	
		Original amount	Provision for doubtful accounts	Original amount	Provision for doubtful accounts
Accounts receivable. . . .	Xingdao Auto			2,548,185.23	

10.6.2 Payables

<u>Item</u>	<u>Related party</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Accounts payable			
	Xinmeida Technology	4,107.55	6,080.00
	YONEGY Logistics	16,000.00	16,000.00

11. SHARE-BASED PAYMENTS

11.1 General situation of share-based payment

Total amount of all equity instruments granted by the Company in 2020: RMB6,750,000

Total amount of all equity instruments exercised by the Company in 2020: None

Total amount of all equity instruments invalid in 2020: None

The scope of the exercise price of the share options issued outside by the Company and the remaining term of the contract at the end of the period: None

Scope of exercise price of other equity instruments and remaining term of contract at the end of the period: None

11.2 Equity-settled share-based payments

Recognition method of fair value of equity instruments on the date of grant: market price.

Determination method of the best estimate for the quantity of exercisable equity instruments: On each balance sheet date, the Company amends the number of exercisable equity instruments according to the latest available information such as the changes in the number of employees with the exercisable rights.

Reason for material difference between the estimates in 2019 and 2020: None

Accumulated amount of equity-settled share-based payment included in capital reserves: RMB277,524,277.88

Total expenses recognized at equity-settled share-based payments in 2020: RMB277,524,277.88.

Notes:

According to the resolutions of the 29th meeting of the Fourth Board Meeting and the sixth extraordinary general meeting in 2019, the Company began to implement the incentive plan of restricted stocks (Phase 3) on December 27, 2019.

11.3 Modification or termination of share-based payments

There was no modification or termination of share-based payments in 2020.

12. COMMITMENTS AND CONTINGENCIES

12.1 Significant commitments

12.1.1 Significant commitments on the balance sheet date

(1) Commitments on operating leases

According to the irrevocable operating lease contract which has been signed, the Company's minimum lease payment on the balance sheet date is:

Remaining lease term	Minimum lease payment
Within 1 year	137,996,920.56
1-2 years	121,249,727.35
2-3 years	73,116,320.52
Over 3 years	396,291,957.42
Total	728,654,925.85

(2) Large-sum contracting contract which is signed and is performed or is to be performed, and the financial impact thereof

As of 31 December 2020, according to the large-sum engineering contract which is signed or is performed or to be performed by the Company, the amount that the Company has not yet paid is about RMB829,109,400.

(3) Large-sum equipment purchase contract which is signed and is performed or is to be performed, and financial impact thereof

As of 31 December 2020, according to the large-scale equipment purchase contract which is signed or is performed or to be performed by the Company, the amount that the Company has not yet paid is about RMB657,266,900.

12.2 Contingency

The Company has no significant contingencies to be disclosed.

13. POST BALANCE SHEET EVENTS

13.1 Significant matters not adjusted

Item	Content	Affect on financial conditions and operating results	Cause of being unable to estimate the affect
Issuing of stocks and bonds.	The Company issued 93,438,233 shares through private placement at an issue price of RMB41.90 per share. Total funds raised: RMB3,915,061,962.70. Net funds raised: RMB3,881,170,209.72. Date of issuance: November 29, 2021.	Share capital increased by RMB93,438,233.00 and capital reserve increase by RMB3,787,811,291.24 accordingly.	
Issuing of stocks and bonds.	The proposal concerning the Company’s issuance of GDR, listing on the Swiss Stock Exchange/London Stock Exchange and conversion into an overseas limited company were reviewed and approved on the 34th Meeting of the Fifth Board of Directors held on 27 June 2022 and the sixth Extraordinary General Meeting of Shareholders held on 14 July 2022.		The issuance is still in progress.
Significant external investment . .	On August 9, 2021, the “Bill on the Overseas Investment of Subsidiaries” was reviewed and approved on the 12th meeting of the fifth Board of Directors, which agreed that Sunwoda Electric Vehicle Battery, a subsidiary of Sunwoda, and the Management Committee of Nanchang Economic and Technological Development Zone should invest in the construction of Sunwoda Nanchang power Battery production base project within the jurisdiction of Nanchang Economic and Technological Development Committee. Nanchang Sunwoda New Energy Co., LTD., with a total investment of about RMB20 billion. Up to the date of the audit report, Nanchang Sunwoda New Energy Co., Ltd. has been established and the project has been put into construction as planned.		The project is in construction.

Item	Content	Affect on financial conditions and operating results	Cause of being unable to estimate the affect
Significant external investment . .	<p>On December 3, 2021, the proposal on the joint investment of the company and Chuanheng Stock and other companies in the construction of Weng ‘an County “mineralization integrated” new energy materials recycling industry project was reviewed and approved on the 20th (interim) meeting of the fifth Board of Directors, which agreed that the Company and Guizhou Chuanheng Chemical Co., LTD. (hereinafter referred to as “Chuanheng”) and other companies should jointly invest in the construction of Weng ‘an County “mineralization integrated” new energy materials recycling industry project (hereinafter referred to as “cooperation Project”), the total planned investment of the project is RMB7 billion. As of the audit report date, Guizhou Hengda Mining Holding Co., LTD has been jointly established and the investment has been put into construction as planned.</p>		The project is in construction.
Significant external investment . .	<p>On December 13, 2021, the “Bill on the Overseas Investment of Subsidiaries” was reviewed and approved on the 21st meeting of the fifth Board of Directors, which agreed that Sunwoda Electric Vehicle Battery set up a project company in Zaozhuang National High-tech Industrial Development Zone to be responsible for the construction of “Zaozhuang power battery and energy storage battery Project with annual capacity of 30GWh”. The total investment of this project is around RMB20 billion. Up to the date of the audit report, the project company Shandong Sunwoda New Energy Co., Ltd. has been established and the project has been put into construction as planned.</p>		The project is in construction.

Item	Content	Affect on financial conditions and operating results	Cause of being unable to estimate the affect
Significant external investment . .	Held on February 23, 2022, the 26 of subsidiaries of foreign investment legislation was reviewed and approved on the fifth session of the board of directors meeting, which approved that the intellectual group, a subsidiary of Shenzhen hin flourishing and Ningxiang economic and technological development zone management committee in Ningxiang construction of the investment committee jurisdiction by the wisdom of “hin prosperous Ningxiang integrated intelligent hardware production base project”, The total investment of this project is planned to be 2 billion yuan.		The investment has not been made.million
Significant external investment . .	The Proposal on the Subsidiary’s Plan to Sign the Project Investment Agreement with Zhuhai Municipal People’s Government to invest in the construction of “Sunwoda 30GWh Power Battery Production Base Project (tentative)” within the jurisdiction of Zhuhai Municipal People’s Government was reviewed and approved on the 27th meeting of the fifth Board of Directors held on February 28, 2022. The total planned investment of this project is RMB12 billion. As of the audit report date, the project company Zhuhai Sunwoda New Energy Co., Ltd. has been established and the project has been put into construction as planned.		The project is in construction.
Significant external investment . .	The “proposal on the signing of Project Investment Agreement between the subsidiary and the People’s Government of Shifang City” was reviewed and approved on the 28th meeting of the fifth Board of Directors held on March 17, 2022, which agreed to invest and build “Sunwoda Shifang Power Battery and Energy Storage Industry Production Base Project (tentative)” in Shifang Municipal People’s Government, with a total investment of RMB8 billion. Up to the date of the audit report, the project company Deyang Sunwoda New Energy Co., Ltd. has been established and the project has been put into construction as planned.		The project is in construction.

Item	Content	Affect on financial conditions and operating results	Cause of being unable to estimate the affect
Significant external investment . .	On May 31, 2022 the 32th meeting of the fifth board reviewed and approved the proposal, “Regarding subsidiary and Jinwan district people’s government signed investment agreement’. It is agreed that Shenzhen Shenzhen Sunwinon, a subsidiary of Sunwoda, will invest in the construction of “Shenzhen Sunwinon Zhuhai Production Base Project (tentative)” within the jurisdiction of Jinwan District People’s Government of Zhuhai City. Shenzhen Shenzhen Sunwinon will set up Zhuhai Shenzhen Sunwinon Electronics Co., LTD in Jinwan District of Zhuhai City to be responsible for the specific implementation of the project. The total planned investment of the project is RMB1 billion.		The investment has not been made.
Significant external investment . .	On May 31, 2022, the “Proposal on overseas investment in the Construction of high-performance cylindrical lithium-ion battery projects” was reviewed and approved on the 32nd meeting of the fifth Board of Directors. It is agreed that a wholly-owned subsidiary or a holding subsidiary of Sunwoda shall set up a project company with a shareholding proportion of no less than 51% in Lanxi City, Zhejiang Province to invest in the construction of “Sunwoda High-performance cylindrical Lithium-ion Battery Project (Tentative)”, with a total investment of RMB2.3 billion.		The investment has not been made.

13.2 Profit distribution

Profits or dividends to be distributed	Equity distribution registration date	Amount
Based on the total shares of 1,574,979,031 as of 31 December 2020, a cash dividend of RMB0.7 (tax included) was distributed to all shareholders for every 10 shares, and a total cash dividend of RMB110,248,532.17 was distributed by the company.	June 3, 2021	110,248,532.17
Based on the total shares of 1,718,957,276 as of December 31, 2021, a cash dividend of RMB0.7 (tax inclusive) was distributed to all shareholders for every 10 shares, and a total cash dividend of RMB120,327,009.32 (tax inclusive) was distributed.	July 7, 2022	120,327,009.32

14. OTHER SIGNIFICANT MATTERS

14.1 Segment information

14.1.1 Basis for recognition of reportable segments and accounting policies

According to the internal organizational structure, management requirements and internal reporting system, the Company establishes 5 reportable segments, including domestic battery business, overseas battery business, consumer-based battery cell business, energy-storage management business, and elective vehicle battery business. All reportable segments of the Company respectively provide different products or services or engage in operating activities in different areas. Due to different technologies or market strategies of each segment, the Management of the Company separately manage the operating activities of each reportable segment and regularly evaluate the operating results of these reportable segments, so as to decide the resource distributed to them and evaluate their performances.

Transfer price among segments shall be determined based on the price of actual transaction and the expenses indirectly attributable to such segments shall be distributed in proportion of their income.

14.1.2 Financial information of reportable segments

Item	Domestic battery business	Overseas battery business	Energy-storage management business	Consumer-based battery cell business	Electric vehicle battery business	Inter-segment offset	Total
Operating revenue . . .	27,007,649,594.62	1,718,641,493.38	180,802,611.73	2,780,633,789.49	428,367,690.24	2,423,787,294.17	29,692,307,885.29
Cost of sales . . .	23,443,707,279.07	1,680,313,548.32	129,942,194.67	1,958,437,839.89	491,410,164.45	2,423,787,294.17	25,280,023,732.23
Total assets . . .	24,063,431,157.57	1,403,541,364.74	720,564,470.87	4,264,836,744.75	4,383,051,028.60	4,163,222,633.46	30,672,202,133.07
Total liabilities . . .	20,535,762,133.79	1,482,991,752.85	731,585,405.54	2,036,178,693.72	2,901,510,852.84	4,163,222,633.46	23,524,806,205.28

14.2 Other significant issues affecting the decision-making of investors

14.2.1 Pledge of equities

- (1) As at the date of Auditor's Report, Mr. Wang Mingwang, the beneficial owner of the Company, holds 361,779,557 shares of the Company, accounting for 21.05% of the Company's total share capital. He cumulatively holds 54,850,000 pledged shares, accounting for 15.16% of the Company's total shares and 3.19% of the Company's total share capital.
- (2) As at the date of Auditor's Report, Mr. Wang Wei, the beneficial owner of the Company, holds 132,456,600 shares of the Company, accounting for 7.71% of the Company's total share capital. He cumulatively holds 15,400,000 pledged shares, accounting for 11.63% of the Company's total shares and 0.90% of the Company's total share capital.

14.2.2 Offsetting of financial assets and financial liabilities

The Company signed a contract with the bank to carry out the financing business of import trade, and deposited the payment for imported materials in the bank as a pledge to make payment for imported materials. Subject to the relevant agreement, the Company has no right to dispose of the amount deposited in the margin account, and does not have to bear any other debt except the paid margin. But the Company has the legal right to offset the recognized amount, under which case, the Company can make settlement on a net basis to offset the relevant financial assets against financial liabilities. At the end of the reporting period, the Company has offset the deposit margin of USD271,716,500 against short-term loans.

The Company has signed a contract with the bank, and deposited 100% margin to the bank, so that the bank can issue bank acceptance bill or letter of credit to the Company's subsidiaries, then the subsidiaries will discount the bank acceptance bill or letter of credit. The Company has no right to dispose of the amount deposited in the margin account subject to the relevant agreement, so it does not have to bear any other debt except the paid margin. However, the Company enjoys the legal right to offset the recognized amount, in which case, it can make settlement on a net basis to offset the relevant financial assets against financial liabilities. At the end of the reporting period, the Company had offset the deposit margin of RMB685.9 million against the notes payable.

15. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

15.1 Accounts receivable

15.1.1 Aging analysis of accounts receivable

Aging	Ending balance	Beginning balance
Within 1 year		
Within 6 months (including 6 months)	7,187,473,018.99	8,137,884,344.62
6 months-1 year (including 1 year)	7,977,450.66	3,533,792.95
Subtotal within 1 year	7,195,450,469.65	8,141,418,137.57
1-2 years	5,664,067.30	23,498,090.90
2-3 years	3,173,878.17	177,191,198.24
Over 3 years	210,611,208.01	35,046,877.89
Subtotal	7,414,899,623.13	8,377,154,304.60
Less: Provision for doubtful accounts	213,073,581.55	179,802,355.29
Total	7,201,826,041.58	8,197,351,949.31

15.1.2 Disclosure of accounts receivable by provision for doubtful accounts

Category	Ending balance			Beginning balance					
	Original amount		Proportion of provision of accounts (%)	Carrying amount		Proportion of provision of accounts (%)			
	Amount	Proportion (%)		Amount	Proportion (%)				
Accounts receivable subject to individual provision for doubtful accounts.	203,617,412.37	2.75	203,617,412.37	100.00	204,276,731.51	2.44	168,718,028.64	82.59	35,558,702.87
Including:									
Accounts receivable with individually insignificant amount and subject to individual provision for doubtful accounts.	203,617,412.37	2.75	203,617,412.37	100.00	204,276,731.51	2.44	168,718,028.64	82.59	35,558,702.87
Accounts receivable subject to provision for doubtful accounts on the grouping basis.	7,211,282,210.76	97.25	9,456,169.18	0.13	8,172,877,573.09	97.56	11,084,326.65	0.14	8,161,793,246.44
Including:									
Aging analysis group	4,086,745,348.39	55.12	9,456,169.18	0.23	5,313,038,116.95	63.42	11,084,326.65	0.21	5,301,953,790.30
Related parties within the scope of consolidation.	3,124,536,862.37	42.14			2,859,839,456.14	34.14			2,859,839,456.14
Total	7,414,899,623.13	100.00	213,073,581.55	7,201,826,041.58	8,377,154,304.60	100.00	179,802,355.29		8,197,351,949.31

Accounts receivable subject to individual provision for doubtful accounts:

Name	Ending balance			Reason for provision
	Carrying amount	Provision for doubtful accounts	Proportion of provision (%)	
Accounts receivables with individually insignificant amount and subject to individual provision for doubtful accounts	203,617,412.37	203,617,412.37	100.00	It is not expected to collect in whole.
Total	203,617,412.37	203,617,412.37		

Accounts receivable subject to provision for doubtful accounts on the grouping basis:

Items for provision on the grouping basis:

Item	Ending balance		
	Accounts receivable	Provision for doubtful accounts	Proportion of provision (%)
Aging analysis group Including:			
Within 6 months (including 6 months)	4,062,936,156.62		
6 months-1 year (including 1 year)	7,977,450.66	398,872.53	5.00
Subtotal within 1 year	4,070,913,607.28	398,872.53	0.01
1-2 years (including 2 years)	5,664,067.30	566,406.73	10.00
2-3 years (including 3 years)	2,395,405.55	718,621.67	30.00
Over 3 years	7,772,268.26	7,772,268.25	100.00
Total	4,086,745,348.39	9,456,169.18	

15.1.3 Provision, reversal or recovery of provision for doubtful accounts in 2020:

Category	Beginning balance	Beginning balance after adjustment	Movement			Ending balance
			Provision	Reversal or recovery	Write off or cancellation	
Individual provision for doubtful accounts	168,718,028.64	168,718,028.64	34,899,383.73			203,617,412.37
Provision for doubtful accounts on the grouping basis	11,084,326.65	11,084,326.65		1,628,157.47		9,456,169.18
Total	179,802,355.29	179,802,355.29	34,899,383.73	1,628,157.47		213,073,581.55

15.1.4 Top 5 accounts receivable balances by debtor

Total balance of top 5 accounts receivable as at 31 December 2020 is RMB5,174,884,319.64, accounting for 69.79% of the balance of accounts receivable as at 31 December 2020, with nil provision for doubtful accounts.

15.1.5 Accounts receivable derecognized for transfer of financial assets

Item	Amount derecognized	Way of transfer of financial assets	Gain or loss related to derecognition
Accounts receivable	319,688,627.35	Sell the financial assets without any claim right	
Total	319,688,627.35		

15.2 Receivables financing

15.2.1 Receivables financing

Item	Ending balance	Beginning balance
Notes receivable	216,959,449.50	28,051,318.46
Total	216,959,449.50	28,051,318.46

15.2.2 Current increase or decrease of receivables financing and changes in fair value.

Item	Beginning balance	Additions during the year	Current amount derecognized	Other changes	Ending balance	Accumulative loss provision recognized in other comprehensive incomes
Notes receivable	28,051,318.46	1,021,647,215.53	832,739,084.49	216,959,449.50		
Total	28,051,318.46	1,021,647,215.53	832,739,084.49	216,959,449.50		

15.2.3 Notes receivable endorsed or discounted by the Company at the ending of the reporting period and not yet due on the balance sheet date

Item	Amount derecognized at the ending of the period	Amount non- derecognized at the ending of the period
Bank acceptance draft	304,387,413.66	
Total	304,387,413.66	

15.3 Other receivables

Item	Ending balance	Beginning balance
Interest receivable	17,884,616.67	2,252,472.51
Other receivables	5,881,133,668.89	3,921,857,094.18
Total	5,899,018,285.56	3,924,109,566.69

15.3.1 Interest receivable

(1) Category of interest receivable

Item	Ending balance	Beginning balance
Term deposit	17,884,616.67	1,617,534.24
Authorized loan		634,938.27
Subtotal.	17,884,616.67	2,252,472.51
Less: Provision for doubtful account.		
Total.	17,884,616.67	2,252,472.51

15.3.2 Other receivables

(1) Disclosure of other receivables by aging

Aging	Ending balance	Beginning balance
Within 1 year		
Within 6 months (including 6 months)	5,844,194,946.80	3,875,071,639.62
6 months-1 year (including 1 year)	6,197,485.70	12,040,077.89
Subtotal within 1 year	5,850,392,432.50	3,887,111,717.51
1-2 years	34,388,413.72	722,264.18
2-3 years	145,054.76	49,451,855.70
Over 3 years	33,123,966.48	2,251,870.09
Subtotal.	5,918,049,867.46	3,939,537,707.48
Less: Provision for doubtful accounts	36,916,198.57	17,680,613.30
Total.	5,881,133,668.89	3,921,857,094.18

(2) Disclosure of other receivables by provision for doubtful accounts

Category	Ending balance			Beginning balance		
	Original amount		Proportion for doubtful accounts	Original amount		Proportion for doubtful accounts
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables subject to individual provision for doubtful accounts.	30,493,444.44	0.52	30,493,444.44	100.00	9,148,033.33	30.00
Including:						
Other receivables with individually insignificant amount and subject to individual provision for doubtful accounts.	30,493,444.44	0.52	30,493,444.44	100.00	9,148,033.33	30.00
Other receivables subject to provision for doubtful accounts on the grouping basis.	5,887,556,423.02	99.48	6,422,754.13	0.11	8,532,579.97	0.22
Including:						
Aging analysis group	216,715,337.99	3.66	6,422,754.13	2.96	8,532,579.97	6.14
Related parties within the scope of consolidation.	5,670,841,085.03	95.82	3,770,149,777.13	5,670,841,085.03	3,939,537,707.48	95.70
Total	5,918,049,867.46	100.00	36,916,198.57	5,881,133,668.89	17,680,613.30	3,921,857,094.18

Other receivables subject to individual provision for doubtful accounts:

Name	Ending balance			Reason for provision
	Carrying amount	Provision for doubtful accounts	Proportion of provision (%)	
Other receivables with individually insignificant amount and subject to individual provision for doubtful accounts	30,493,444.44	30,493,444.44	100.00	It is not expected to collect.
Total	30,493,444.44	30,493,444.44		

Other receivables subject to provision for doubtful accounts on the grouping basis:

Items for provision on the grouping basis:

Item	Ending balance		
	Other receivables	Provision for doubtful accounts	Proportion of provision (%)
Aging analysis group			
Including:			
Within 6 months (including 6 months)	173,353,861.77		
6 months-1 year (including 1 year)	6,197,485.70	309,874.29	5.00
Subtotal within 1 year	179,551,347.47	309,874.29	0.17
1-2 years (including 2 years)	34,388,413.72	3,438,841.37	10.00
2-3 years (including 3 years)	145,054.76	43,516.43	30.00
Over 3 years	2,630,522.04	2,630,522.04	100.00
Total	216,715,337.99	6,422,754.13	

(3) Provision for doubtful accounts

Provision for doubtful accounts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in 12 months in the future	Expected credit losses of the entire duration (no credit impairment occurred)	Expected credit loss of the entire duration (credit impairment occurred)	
Beginning balance	8,532,579.97	9,148,033.33		17,680,613.30
Beginning balance in current period				
— Transfer to stage 2				
— Transfer to stage 3			9,148,033.33	9,148,033.33
— Transfer back to stage 2				
— Transfer back to stage 1				
Accrual in this period			21,345,411.11	21,345,411.11
Reversal in this period	2,109,825.84			2,109,825.84
Write-off in this period				
Cancellation in this period				
Other changes				
Ending balance	6,422,754.13		30,493,444.44	36,916,198.57

(4) Provision, reversal or recovery of provision for doubtful accounts in 2020:

Category	Beginning balance	Current change			Ending balance
		Provision	Reversal or recovery	Write off or cancellation	
Provision for doubtful accounts on the aging analysis group	8,532,579.97		2,109,825.84		6,422,754.13
Individual provision for doubtful accounts	9,148,033.33	21,345,411.11			30,493,444.44
Total	17,680,613.30	21,345,411.11	2,109,825.84		36,916,198.57

(5) Category of other receivables by nature

Nature	Ending balance	Beginning balance
Deposit from financing lease	17,800,000.00	35,800,000.00
Other deposits	23,976,401.19	20,045,189.90
Export rebates	159,721,037.03	63,684,012.83
Other current accounts	15,217,899.77	19,365,283.18
Related party transactions	5,670,841,085.03	3,770,149,777.13
Equity transfer fund receivable	30,493,444.44	30,493,444.44
Total	5,918,049,867.46	3,939,537,707.48

(6) Top five other receivables by the debtor at the end of the period

Company name	Nature	Ending balance	Aging	Proportion in total ending other receivables (%)	Ending balance of provision for doubtful accounts
Huizhou New Energy	Internal related party transaction	2,468,706,493.59	Within 6 months	41.71	
Sunwoda Electric Vehicle Battery	Internal related party transaction	1,252,830,346.82	Within 6 months	21.17	
Intelligent Technology	Internal related party transaction	495,628,382.07	Within 6 months	8.37	
Integrated Energy	Internal related party transaction	404,903,811.92	Within 6 months	6.84	
Winone Precision	Internal related party transaction	307,903,391.56	Within 6 months	5.20	
Total		4,929,972,425.96		83.30	

15.4 Long-term equity investments

Item	Ending balance			Beginning balance		
	Original amount	Provision for impairment	Carrying amount	Original amount	Provision for impairment	Carrying amount
Investment in subsidiaries	4,911,849,635.94		4,911,849,635.94	3,813,750,120.00		3,813,750,120.00
Investment in associates and joint ventures	10,170,099.53	10,170,099.53		10,170,099.53	10,014,453.68	155,645.85
Total	4,922,019,735.47	10,170,099.53	4,911,849,635.94	3,823,920,219.53	10,014,453.68	3,813,905,765.85

15.4.1 Investment in subsidiaries

Investee	Beginning balance	Additions during the year	Decrease during the year	Ending balance	Provision for impairment	Ending balance of provision for impairment
Xinwei Electronic	6,563,442.59	833,203.77		7,396,646.36		
Xinwei Hong Kong	71,096,024.00	353,368.74		71,449,392.74		
Huizhou New Energy	2,060,797,786.12	51,676,217.95		2,112,474,004.07		
Sunwoda Electric Vehicle Battery	3,078,397.83			3,078,397.83		
Sunwoda Electrical	52,572,514.49	10,465,477.05		63,037,991.54		
PTL	22,727,877.60	2,169,638.25		24,897,515.85		
Qianhai Hongsheng	150,000,000.00	5,530,082.95		155,530,082.95		
Shenzhen Sunwinon	45,000,000.00	19,196,867.63		64,196,867.63		
Dongguan Liwinon	1,051,716,156.29	22,913,876.19		1,074,630,032.48		
Integrated Energy	100,197,921.08	8,413,641.13		108,611,562.21		
Sunwoda Intelligent Technology	50,000,000.00	9,569,412.08		59,569,412.08		
Nanjing Sunwoda	200,000,000.00	100,000,000.00		300,000,000.00		
Shenzhen Sunynn		18,589,830.56		18,589,830.56		
Zhejiang Sunwoda		20,000,000.00		20,000,000.00		
Zhejiang Xindong Energy		30,580,064.80		30,580,064.80		
Huizhou Liwinon		787,399,834.84		787,399,834.84		
Superstar		10,408,000.00		10,408,000.00		
Total	3,813,750,120.00	1,098,099,515.94		4,911,849,635.94		

15.4.2 Investment in associates and joint ventures

Investee	Movement							Ending balance of provision for impairment			
	Beginning balance	Additional investment	Decrease in investment	Profit and loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profits declared to be distributed		Provision for impairment	Others	Ending balance
I. Associates											
Xingzhiyoudao. . .											
Intelligent Cloud											
Apparel											
Technology											
Research											
Institute											
(Shenzhen)											
Co., Ltd.	155,645.85										155,645.85
Subtotal.	155,645.85							-155,645.85			10,170,099.53
Total	155,645.85							-155,645.85			10,170,099.53

15.5 Operating revenue and cost of sales

15.5.1 Presentation of operating revenue and cost of sales

Item	Current		Prior year	
	Revenue	Cost	Revenue	Cost
Primary business . . .	26,529,087,502.23	23,909,367,159.09	28,968,659,886.06	26,285,519,783.80
Other business	33,978,242.25	22,036,540.48	7,404,342.75	650,127.40
Total	26,563,065,744.48	23,931,403,699.57	28,976,064,228.81	26,286,169,911.20

Breakdown of operating revenue:

Item	Current	Prior year
Primary operating revenue	26,529,087,502.23	28,968,659,886.06
Including: sales of goods	26,529,087,502.23	28,968,659,886.06
Other operating revenue	33,978,242.25	7,404,342.75
Including: sales of raw materials.	33,978,242.25	7,404,342.75
Total	26,563,065,744.48	28,976,064,228.81

15.5.2 Contractual income

Contract classification	Current
Classified by commodities:	
3C battery	18,078,158,219.56
ESS	107,212,711.20
Smart hardware	4,162,314,455.67
Precision structural parts	1,093,068,235.18
Others	3,122,312,122.87
Total	26,563,065,744.48
Classified by operating areas:	
Northeast	796,569.09
North China	1,626,873,911.48
East China	945,961,328.45
South China	10,617,204,357.95
Central China	197,447,838.21
Southwest	415,813,309.28
Northwest	553,071.45
Export	12,758,415,358.56
Total	26,563,065,744.47

15.6 Investment income

Item	Current	Prior year
Investment income from long-term equity measured under equity method		-5,177,691.68
Investment income from disposal of financial assets held for trading	11,953,403.74	-3,315,056.05
Investment income from other non-current financial assets during holding period	4,000,000.00	
Others	-36,260,000.00	
Total	-20,306,596.26	-8,492,747.73

16. SUPPLEMENTARY INFORMATION

16.1 Breakdown of current non-recurring profits and losses

Item	Amount	Note
Profit and loss on disposal of non-current assets	-45,921,309.95	
Government subsidies included in profit or loss (except the government subsidies which are closely related to the enterprise business, obtained by quota or quantity at unified state standards).	171,121,754.79	
Profit and loss from changes in fair value of the financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities; and the investment income from the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities and other creditor's rights investment, except the effective hedge business related to the normal business of the Company.	415,421,824.57	
Other non-operating income and expenses except the above items	24,142,362.75	
Other profits or losses conforming to non-recurring profits and losses	69,044,004.75	
Subtotal.	633,808,636.91	
Effect of income tax	-92,555,935.22	
Effect of non-controlling interests (after tax).	-1,057,234.69	
Total.	540,195,467.00	

16.2 Return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
	(%)		
Net profit attributable to ordinary shareholders of the Company	12.73	0.52	0.52
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profits and losses	4.16	0.17	0.17

Sunwoda Electronic Co., Ltd.
(Official Seal)
[Prospectus date]