中国电科

Chengdu Siwi Science And Technology Company Limited

(a sino-foreign joint stock limited company incorporated in
the People's Republic of China with limited liability)

Stock Code: 1202

ANNUAL REPORT 2022

CONTENTS

CORPORATE
PROFILE

Chengdu SIWI Science and Technology Company Limited (the "Company") is one of the major telecommunications cable manufacturers in the People's Republic of China (the "PRC").

The Company was incorporated in the PRC on 1 October 1994 after its restructuring and has listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 December 1994 through the placing and public offer of 160,000,000 H shares ("H Shares"). Chengdu Siwi Electronic Co., Ltd. （成都四威電子有限公司） ("Siwi Electronic") , a wholly-owned subsidiary of the 29th Research Institute of China Electronic Technology Group Corporation, which is a public-sector institution of China Electronics Technology Group Corporation Limited （中國電子科技集團有限公司） ("China Electronics Technology"), is the controlling shareholder of the Company.

The business scope of the Group is as follows:

Permitted items:

Wire and cable manufacturing; entry-exit quarantine arrangement at borders. (Items subject to approval in accordance with the laws shall commence operation with approval obtained from the relevant authorities. Definitive operating items shall be subject to the approval documents or license documents granted by the relevant authorities.)

General items:

Wire and cable business; optical fiber manufacturing; sale of optical fibers; optical cable manufacturing; sale of optical cables; communication equipment manufacturing; sale of communication equipment; optical communication equipment manufacturing; sale of optical communication equipment; electric power facilities and equipment manufacturing; sale of electric power facilities and equipment; mechanical and electrical equipment manufacturing; sale of mechanical and electrical equipment; electrical machinery special equipment manufacturing; special equipment manufacturing (excluding licensed professional equipment manufacturing); special electronic material manufacturing;

energy storage technology services; research and development of emerging energy technologies; research and development of technologies for resource recycling and reuse; research and development of online energy monitoring technologies; research and development of wind farm related systems; research and development of offshore wind power related systems; solar power generation technology services; research and development of motors and their control systems; intelligent control system integration; information system integration services;

research and development of switch control equipment for electricity distribution; new energy original equipment manufacturing; power generator and generator set manufacturing; electricity transmission and distribution and relevant control equipment manufacturing; sale of intelligent electricity transmission and distribution and relevant control equipment; contract energy management; sale of batteries; sale of battery swap facilities of new energy vehicles; sale of photovoltaic equipment and components; sale of electric accessories of new energy vehicles;

technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; import and export of goods;

technology import and export; non-residential real estate leasing; house leasing; leasing services (excluding licensed leasing services); property management; parking lot services; business management consultation; entrepreneurial space services. (Except for the items subject to approval in accordance with the laws, all other items shall independently commence operation with business licenses in accordance with the laws.)

Registered office and office address of the Company in the PRC:
No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC
Postal Code: 611731

FINANCIAL HIGHLIGHTS

SUMMARY OF OPERATIONS

	2022 RMB'000	2021 RMB'000
Operating revenue	**304,013.61**	300,424.37
Operating profit/("–" represents loss)	**521.58**	-58,469.40
Share of profit/("–" represents loss) of associates	**-8,048.50**	-14,422.50
Profit/("–" represents loss) before income tax	**1,485.56**	-58,988.50
Profit/("–" represents loss) attributable to equity holders of the Company	**-2,204.09**	-50,389.29
Basic earnings/("–" represents loss) per share	**RMB-0.01**	RMB-0.13

SUMMARY OF NET ASSETS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total liabilities	**174,414.93**	165,748.68
Total net assets	**843,580.48**	838,805.43
Total assets	**1,017,995.41**	1,004,554.11
Net assets per share *	**RMB2.11**	RMB2.1

* As at 31 December 2022, net assets per share is calculated on the basis of shareholders' equity of the Group of RMB843,580,481.01 (31 December 2021: RMB838,805,432.16) and the total number of issued shares of 400,000,000 shares (31 December 2021: 400,000,000 shares).

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 (the "Year") and would like to express our kind regards to all shareholders of the Company (the "Shareholders") on behalf of the board of directors (the "Board") and all staff of the Company.

During the Year, the Group's profit before tax was RMB1,485,557.31 and loss attributable to Shareholders of the Company amounted to approximately RMB2,224,261.22. Basic losses per share was approximately RMB0.01.

2022 was a crucial year for the Company to deepen reform, integrate services and develop new prospects, and strive to achieve the goal of "reforming and turning losses into profits". During the year, we operated based on the development concept of "strategic guidance, optimization of the main business, and consolidation of the foundation". In terms of strategy, we strengthened the top-level design, repositioned and laid out the four business segments, and determined the integration development strategy to clarify our development ideas. In terms of business, in addition to focusing on the main business, we introduced the cable assembly business, increased our efforts in the research and development of new products, actively explored new customers and deepned its ties with existing customers, while promoting cost reduction and efficiency increase, so as to further expand our market shares and profitability. In terms of the management, adhering to the leadership of the Party, we focused on basic management, and continued to reform in terms of organization settings, system capabilities, talent allocation, risk control, etc., while actively and steadily solving the long-term historical problems in terms of talent, financial and material resources, to improve the Company's management capacity and maintain a stable development.

In 2023, based on the general ideas of "transforming from a traditional manufacturer to a technology innovation enterprise, from operating solely in the civilian market to military and civilian market, and from a scattered operation headquarters to a centralized and unified headquarters", the Company will clearly determine the business development direction of "Optoelectronic and Interconnected Products", the park operation and development positioning of "Military Electronics Industry Supply Chain Development Demonstration Base" and the industrial strategic goal of building "Southwest High-end Intelligent Manufacturing Centre", with focusing on strengthening the capabilities of "marketing, research and development, manufacturing and management", to promote the Company move forwards the high quality development both in "quality and efficiency" from "reform and extrication".

Lastly, I, on behalf of the Board, would like to take this opportunity to express my gratitude to all Shareholders and staff of the Group for their support and trust in the Company throughout the Year.

Li Tao
Chairman

24 March 2023

BUSINESS REVIEW

In 2022, the Group actively responded to internal and external issues by focusing on its main business, market research and development and management improvement, and took measures to achieve phased results.

I. Focusing on main business and top-level planning

During the Year, the Group strengthened the awareness of its main responsibilities and main businesses, determined the strategic development goals for 2023-2025, re-deployed its business segments, and formed four main business structures, i.e. optical cable component business, cable manufacturing business, optical fiber and optical device business and park operation business.

Optical cable component business: The Company planned the establishment of a material procurement, unified and quality control system and obtained the GJB Weapon and Equipment Quality Management System Certification. We have started to layout the supporting business to serve the military market by introducing the cable assembly business, which has established its production capacity and formally undertook orders.

Cable manufacturing business: The Company overcame the impact of unfavourable factors such as high temperature and power curtailment, and environmental protection and production limitation, thereby strengthening production organisation and management, rationalising the production schedule by making full use of the available production time, which would basically ensure the delivery needs of customers. Meanwhile, the Group improved the drawing, stranding and extrusion processes to reduce wastage, reduce costs and increase efficiency, thus turning losses into profits in spite of the overall decrease in revenue.

Optical fiber and optical device business: Grasping the opportunity of the recovery of the optical fiber market, the Group optimised its product structure and maintained the continuous growth of sales of optical fiber products with high gross profit. On the other hand, we have taken measures to reduce costs and increase efficiency, such as reducing the unit consumption of helium and carrying out helium recycling, so that the completion rate of the business operating income target has reached 115%.

Park operation business: The Company has clarified the positioning of the military electronic industry supply chain base, and actively introduced military-civilian integration enterprises through adjusting the industrial direction of recruiting resident enterprises in the park, carrying out rent assessment, establishing the accounts receivable collection mechanism, strengthening the management of resident enterprises, in order to realise the compliance of park operation business and improve the core competitiveness of the park.

II. Strengthening technology research and development capabilities and enhancing market competitiveness

The Group attaches great importance to product research and development and formulates product development plans to enhance the core competitiveness of its products. During the Year, product development plans were formulated, the Company's product development direction was clarified; project development proposals for rail transit cables and fluoropolymer cables for aerospace were prepared; sample manufacturing of 13 types of non-certified thin-walled cables and sample production of 2 series of thin-walled cables for certification (CRCC) were completed; process design, proofing plan, main material determination and sample conductor processing of silicon rubber insulated rail transit cable were completed; research and development of localisation of imported cables were carried out; development and sample delivery of low-loss optical fiber and thin-diameter bending-resistant optical fiber were completed; the ordinary version and the thin-diameter version of the guide fiber have passed the conventional process test and the reliability test; regular and fine-diameter optical fibers have passed the routine process test and reliability test; the development and testing of optical fiber rings and wavelength division multiplexing samples for trial production were completed.

III. Consolidating the foundation and improving management capability

1. Improving party building management ability

During the Year, the Company signed a pairing and co-construction agreement with 7 branches of the higher-level party committee to carry out support and docking to strengthen the Company's basic work for party building; promoted the improvement of relevant management systems in business activities and clarified the responsible management departments with reasonable suggestions through the "strengthening foundation action" of party building and the implementation of inspection and rectification measures; a general manager's mailbox was set up to solve employees' urgent needs and expectations. Carrying out the discussion of the idea of "striving to strengthen living in a dangerous state" and unifying the thoughts of the employees to promote the reform and development of the Company; more than 60 leaders, cadres and league members of the Company were organised to carry out cultural traceability activities.

2. Adjustment of organisational structure

Positioned as an operation-oriented headquarters and based on the principle of streamlining management institutions and improving management efficiency, the Company carried out two organisational reforms, which effectively solved the problems of inconsistency of responsibilities and actual conditions, overlapping functions and dispersion of the original organisational structure, gave full play to business synergy, financial synergy and management synergy, and built the Company into a modern technology enterprise with sustainable profitability and efficient operation.

3. Improving the institutional system

In accordance with 29 types of management systems such as functional management and business management, the Company established the framework of the Company's institutional system, organised various functional departments to design and plan the system in different categories and batches, comprehensively sorted out the weaknesses of the system, improved the basic systems and supporting systems in various business areas, improved the quality of various systems, enhanced the rigid constraints of the systems, and established and improved an effective, practical and practical system to ensure that the Company's functional departments and all levels of business activities are carried out in an orderly manner. Currently, the Company is operating 133 systems, including 44 new systems, 48 amendments and 85 old systems were abolished.

4. Continuous construction of risk prevention and control system

During the Year, the Company further enhanced the awareness of risk prevention, continued to improve the internal control system, completed the whole-level risk investigation, and implemented the quarterly monitoring of major risks and the risk classification and testing indicator system; carried out self-inspection and self-correction on the construction of four internal control systems of capital, contract, procurement and sales, and complete the defect rectification; carried out comprehensive investigation of compliance risks of business operations, prepared self-inspection reports, and continued to rectify the compliance management issues of business operations.

5. Strengthening internal supervision and discipline enforcement

The Company continued to strengthen internal supervision by applying "Four Forms" of discipline supervision, improved the construction of supervision system, and revised the Working Rules of the Discipline Inspection Commission and other systems. We carried out warning education and training on "Party Conduct and Clean Government — Warning Case Education" to promote the performance of duties and integrity in accordance with the law.

6. Reforming human resources mechanism to stimulate corporate vitality

During the Year, the Company promoted the reform of the human resources mechanism and adjusted the personnel structure through external recruitment and internal transfer in combination with organisational structure adjustment. By strengthening business training, the quality of the team was improved to facilitate the sound development of the Company. During the Year, the Company focused on supplementing high-quality talents of production personnel and university graduates or above. After adjustment, the average age of on-the-job employees was reduced by 2.7 years old; the proportion of employees with a college degree or above increased by 15.7%. The Company actively implemented the reform of the remuneration incentive system, strengthened the correlation between assessment and distribution, broke the original distribution principle of performance distribution, and conducted pilot programmes in key departments to effectively motivate employees.

7. Continuous promotion of reduction of legal person

During the Year, the Company successfully completed the merger and acquisition of its subsidiary, Chengdu Zhongling Wireless Communication Cable Co., Ltd ("Zhongling"). Zhongling completed the tax and industrial and commercial deregistration on 14 December 2022. According to the strategic development plan of the Company, on 29 December 2022, the Company listed and transferred its 10% equity interest in Putian Fasten Cable Telecommunication Co., Ltd. on Chongqing United Assets and Equity Exchange. In order to improve the asset quality of the Company, the Company continued to carry out the liquidation and withdrawal of associates. The bankruptcy application of Chengdu Yuexin Communication Materials Co., Ltd. and the compulsory liquidation of Sichuan New Dragon Network Technology Co., Ltd. have been accepted by the court.

8. Strengthening asset investment and disposal

In order to ensure the safety of state-owned assets, the Company conducted a comprehensive inventory of the Company's existing fixed assets and set up a special team to carry out a total of 1,115 inventory of 4 fixed assets including vehicles, computer equipment, instruments and equipment; a three-level leadership review mechanism has been established to standardise the application process for fixed asset investment plans of the demand department, carry out technical verification of 319 assets applied for scrapping at all levels of the Company, and submit to the superior units for review and approval, standardise the asset disposal process, and strengthen daily supervision.

9. Coordinating the special settlement of Two Funds

In order to strengthen the collection of receivables, control "Two Funds" and reduce the risk of bad debts, the Company has formulated a special collection plan and assigned it to specific personnel, analysed on a monthly basis, focused on promoting and comprehensively cleaned up the receivables. We formulated follow-up clean-up measures by category to further consolidate the conditions for write-off of receivables, and carried out write-off of receivables in accordance with the process to effectively improve the quality of existing receivables and alleviate the pressure of "Two Funds".

MANAGEMENT DISCUSSION
AND ANALYSIS

FINANCIAL ANALYSIS

Turnover

During the Year, the turnover of the Group amounted to RMB304,013,607.91, representing an increase of 1.19% as compared with RMB300,424,372.33 for the year ended 31 December 2021 (the "Previous Year"). The increase in turnover was due to the establishment of cable component assembly business and the increase in revenue from optical fiber products as a result of the recovery in the optical fiber market during the Year.

During the Year, the turnover of the Company was RMB109,375,897.33, representing a decrease of 27.75% as compared to the corresponding period of the Previous Year. The turnover of the optical fiber and optical device business was RMB191,141,150.66, representing an increase of 25.01% as compared with the Previous Year; the turnover of the optical cable components business was RMB31,745,969.60; the turnover of the cable manufacturing business was RMB34,615,510.75, representing a decrease of 20.7% as compared with the Previous Year; and the turnover of the park operation business was RMB50,581,590.45, representing a decrease of 0.29% as compared with the Previous Year.

Net loss attributable to equity holders of the Company for the Year

The net loss attributable to equity holders of the Company for the Year amounted to RMB2,224,261.22, while a net loss attributable to equity holders of the Company of RMB52,268,290.85 was recorded for the Previous Year.

Asset Structure Analysis

The Group's total assets increased by 1.34% from RMB1,004,554,108.28 as at 31 December 2021 to RMB1,017,995,407.50 as at 31 December 2022, of which total current assets amounted to RMB751,923,412.13, accounting for 73.86% of the total assets and representing an increase of 5.32% as compared with RMB713,915,618.95 as at 31 December 2021. Property, plant and equipment amounted to RMB188,199,309.59, accounting for 18.49% of the total assets and representing a decrease of 8.43% as compared with RMB205,528,990.69 as at 31 December 2021.

As at 31 December 2022, the Group's bank deposits and cash totaled RMB485,368,181.46, representing an increase of 1.46% as compared with RMB478,366,924.31 as at 31 December 2021.

Debt Structure Analysis

As at 31 December 2022, the Group's total liabilities amounted to RMB174,414,926.49, representing an increase of 5.23% as compared with RMB165,748,676.12 as at 31 December 2021, of which the current liabilities amounted to RMB83,924,625.37, accounting for 48.12% of the total liabilities and representing an increase of 19.75% as compared with RMB70,080,475.44 as at 31 December 2021; non-current liabilities were RMB 90,490,301.12, accounting for 51.88% of the total liabilities and representing a decrease of 5.41% as compared with RMB95,668,200.68 as at 31 December 2021.

Non-current Liabilities or Loans

As at 31 December 2022, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator (inclusive of loans due within one year) was RMB4,822,391.72 (equivalent to EUR649,700). The loan is a French government loan at an interest rate of 0.5% per annum. The loan denominated in Euro is subject to exchange rate risks resulting from fluctuations of the exchange rate in the international foreign exchange market. This long-term loan is an instalment loan in respect of which the maximum repayment period is thirty-six years. As the outstanding amount of the long-term loan is relatively small, there is no material impact on the operations of the Group.

Gearing ratio

As at 31 December 2022, the Group's gearing ratio (total liabilities divided by total assets) was 17.13%, representing an increase of 0.63 percentage points as compared with the gearing ratio of 16.5% as at 31 December 2021. The Group's gearing ratio is currently at a reasonable level and the long-term repayment risk is within manageable limits.

Operating expenses

During the Year, the Group's selling expenses, administration expenses, research and development expenses and finance expenses amounted to RMB5,553,658.18, RMB65,343,225.31, RMB10,986,677.21 and RMB-21,601,080.28, representing an increase of 10.52%, a decrease of 23.64%, a decrease of 10.52% and a decrease of RMB11,824,795.55 respectively as compared with RMB5,025,175.93, RMB85,574,387.12, RMB12,278,143.32 and RMB-9,776,284.73 respectively in the Previous Year.

Analysis of Financial Resources

As at 31 December 2022, the Group's bank and other short-term loans (inclusive of loans due within one year) were RMB4,822,391.72, representing a decrease of 5.88% as compared with RMB5,123,460.47 as at 31 December 2021. As the Group had comparatively sufficient bank deposits and cash of RMB485,368,181.46, the Group does not have short-term insolvency risk.

During the Year, the Group did not conduct other capital raising activities.

Analysis of Capital Liquidity

As at 31 December 2022, the Group's account receivables and bill receivables amounted to RMB78,930,240.49 and RMB0 respectively, representing an increase of 25.32% and a decrease of 100% respectively as compared with RMB62,983,956.72 and RMB1,310,722.32 respectively as at 31 December 2021.

As at 31 December 2022, the Group's current assets amounted to RMB751,923,412.13 (as at 31 December 2021: RMB713,915,618.95), current liabilities were RMB83,924,625.37 (as at 31 December 2021: RMB70,080,475.44), the annual receivables turnover period was 102 days and the annual inventory turnover period was 123 days. The above data indicates that the Company has strong solvency but its liquidity ability and management are yet to be improved.

Capital Structure of the Group

The Group's capital is derived from its profit, proceeds raised, bank and other loans and proceeds from the disposal of the land use rights of the old site of the Company. The use of raised proceeds has strictly complied with the relevant legal requirements. In addition, in order to ensure the proper utilization of capital, the Group has strengthened its existing financial management system. The Group has also paid attention to avoiding high risks and to improving its return on investments. During the Year, debts and obligations were repaid and performed when due in accordance with the relevant contractual terms.

Liquidity and Source of Funds

During the Year, the Group's net cash flow from operating activities amounted to RMB-22,658,424.19, representing a decrease of RMB71,137,974.68 as compared with RMB48,479,550.49 in the Previous Year.

During the Year, the Group spent RMB1,542,201.34, representing an increase of RMB602,614.46 as compared with RMB939,586.88 in the Previous Year, for the purchase of property, plant and equipment and expenses on the construction in progress.

As at 31 December 2022, the Group's liabilities and shareholders' equity amounted to RMB1,017,995,407.50 (as at 31 December 2021: RMB1,004,554,108.28). The Group's interest expenses amounted to RMB73,722.80 for the Year (for Previous Year: RMB87,110.41).

Contingent Liabilities

As at 31 December 2022, the Group did not have any contingent liabilities (as at 31 December 2021: Nil).

BUSINESS OUTLOOK

In 2023, the Group will respond to the call of manufacturing power and quality power, implement innovation-driven development, take the domestic substitution as an opportunity, combined with the actual situation of the Group, determine the business development direction of "Optoelectronic and Interconnected Products", build the park operation and development positioning of "Military Electronics Industry Supply Chain Development Demonstration Base" and the industrial strategic goal of building "Southwest High-end Intelligent Manufacturing Centre". From pure cable to cable assembly, and from single communication optical fiber to special optical fiber and optical device, we strive to achieve transformation and development of our own capabilities. Focusing on the positioning of the park, the Group will target high-end and advanced enterprises in the upstream and downstream of military electronics to create a demonstration site of "building a strong chain of circles", improve the quality of the park and promote the value of the park.

I. Party building

Improving the basic work level of party building, strengthening characteristic party building, and building a virtuous cycle of promoting business through party building

We implement the main responsibility of the higher-level Party Committee and continue to rectify problems. We will implement the spirit of the Party's 20th spirit and the spirit of the Party's congress, highlight the political leading role and implement the main responsibility of the Party Committee. We will adhere to the rectification of inspection problems, ensure that the problems reported in the inspection are implemented, the issues are responded to, and the long-term mechanism is established.

We focus on the construction of basic-level organisations to facilitate the business development of the Company. We will further strengthen the basic work of Party building in accordance with the requirements of Party building assessment. We will strengthen the construction of grass-roots branches and trade unions. We will build a Party building brand with characteristics of branches and carry out special competition activities based on the business development of the Company; we will organise labour competitions to play the role of employees in terms of innovation and creation and promote the high-quality development of the Company.

We strengthen political theory learning and play the leading role of Party building. We will pay close attention to the learning and publicity of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the 20 spirit of the Party, firmly grasp the main line of learning, and enhance the consciousness and urgency of learning based on the actual situation.

We deepen the construction of clean Party conduct and strictly regulate the discipline of cadres. The Company will continuously strengthen the supervision of the Party, effectively play the role of supervision as a "probe" and deepen the application of the four forms of "supervision and discipline enforcement"; we will continue to deepen the construction of work style, address the "four wind issues" and rectify formalism and bureaucracy; we will optimise and improve the methods and contents of internal supervision, strengthen self-supervision, and effectively prevent the "light and black" problem.

We lead the mass work and adhere to the correct public opinion orientation. We will adhere to Party building to lead construction and team building, and give full play to the advantages and role of group organisation; we will organise and carry out the work of "love and contribution" for the representatives outside the Party, and give full play to the unique advantages of the united forces; focusing on the theme of publicity, we will innovate publicity ideas, adhere to the correct public opinion orientation, and promote positive energy.

We effectively improve risk prevention and response capabilities. The Company will continuously implement monthly and quarterly monitoring of major risks to ensure that no major risk events occur and properly report risk events; we will strengthen the construction and supervision of the Company's internal control system, and carry out the annual self-evaluation of internal control; we will continuously optimise and refine the Company's risk control, compliance and internal control manual; we carried out risk control and compliance internal control training to cultivate employees' awareness and management ability of risk prevention and compliance with laws and regulations.

II. Business development

Comprehensive market analysis and optimisation of existing customers

We will further develop the market segment of rail transportation cables, enrich the product categories of rail transportation cables, develop thin-walled series products to form bulk supply, and prepare for the capability of silicon rubber products. We will expand the functionality of products, refine the product market, actively strive for the market share of high-margin optical fiber products to ensure the realisation of profits; in response to the demand from overseas markets, we will launch high-diameter optical fibers and fine-diameter optical fibers to fill the gaps and increase sales volume; we will strengthen technology cooperation and launch new optical fiber and optical device products.

Exploring new markets in terms of optoelectronic and interconnection

According to the three-year plan, we will promote the development of new products in an orderly manner, establish the research and development and production capacity of optical fiber cable components, achieve full coverage of photoelectric interconnection products, and explore new customers at the same time. We will expand the product range of optical fibers, optical devices and components, and develop special optical fibers for the military market; we will actively introduce new types of optical fibers for specific applications and deploy high-end products with high profit margin; we will attempt new optical fibers and fiber rings and conduct marketing. We will cultivate the military cable market segments such as fluoroplastic cables and optical cables, build the manufacturing capacity of high-temperature conductors, precision control cables, special optical cables and other products, develop the specialised market segment for military and civilian products integration industry, and gradually develop the derivative non-braised flame-retardant cross-linked polyolefin products and civil fluoroplastics products.

Strengthening cooperation with government and enterprises to enhance the operation and service capability of the park

Relying on the resource advantages of local governments, we scientifically plan the industrial mapping of the park, adjust and optimise the industrial layout, lay a solid foundation for the development of military electronics high-tech enterprise clusters, and build an integrated development ecology of the industrial chain. With problem-oriented and innovative management and operation mode, the park will improve its management efficiency, management capacity and service capability through information construction. Led by the industry development demand, the park will improve the industrial development space, strengthen the resource allocation, optimize the energy supply system and improve the quality of life services.

Builing integrated supply chain system capabilities to improve production organisation efficiency

We will sort out and optimise the business process system with planning management as the main line, build a secondary plan management system based on product/project classification, improve the plan management ability, and build a solid foundation for the capability of integrated supply chain system. Guided by the planning objectives and starting with the planning and assessment, we will promote the integration of cross-department resources, strengthen the awareness of collaborative management with integrated supply chain management thinking, and improve the overall operational efficiency.

III. Management improvement

We will carry out the process construction of the system to ensure the process and process standardisation of the system. We will further sort out and improve the rules and regulations, identify and rectify deficiencies, and solve the problem of conflicts and suitability of the system. With reference to the Company's system, we will sort out and standardise the business and management processes, and promote the practical implementation of the system process through information means. We will focus on regulating the processes of market, research and development, manufacturing, etc., so as to ensure that there are processes and standards for the matters.

We continue to adjust personnel structure according to the Company's strategic plan; we will establish a post system, improve the assessment system, smoothen the career development channels, guide employees to continue to grow independently, create a good atmosphere for work and entrepreneurship, solve the unreasonable problems of the remuneration system, and establish an employment mechanism for the capable, mediocre and the inferior. We will adjust the remuneration structure to reflect the performance orientation of more pay for more work and fully mobilise the enthusiasm of employees. We will introduce core high-quality professional and technical talents and start the post-doctoral work station. We will provide talent guarantee for the sustainable development of the Company's production and operation.

We will integrate the quality and safety management system, focus on management improvement, take the team as the entry point for building a strong foundation for quality and safety, and refine the procedure documents and safety production standardisation into the operation instructions for quality control and the standardised operation of safety production of the team; we will ensure the effectiveness of product certification based on industry needs; we will identify and monitor key production processes and safety and quality control indicators; Improving inspection capability and safety control level; we will further maintain good customer relationship.

Based on the existing information system foundation, we will establish a digital application platform to realise data interconnection and information sharing, optimise the business management information system and data integration, form decision-making support analysis reports, and improve information technology capabilities.

REPORT OF THE DIRECTORS

The Board is pleased to present its report and the audited financial statements of the Group for the Year.

RESULTS AND DISTRIBUTION

1. The results of the Group are set out in the consolidated income statement on pages 65 to 66 of this annual report.

2. The financial position of the Group as at 31 December 2022 is set out in the consolidated balance sheet on pages 61 to 62 of this annual report.

3. The changes in equity of the Group are set out in the consolidated statement of changes in shareholders' equity on pages 73 to 74 of this annual report.

4. The cash flows of the Group are set out in the consolidated cash flow statement on pages 69 to 70 of this annual report.

5. The Company implemented a profit distribution proposal: the Board does not recommend the payment of a final dividend for the Year (2021: Nil).

BUSINESS REVIEW

A review of the business of the Group and its future business development and outlook are set out in the "Management Discussion and Analysis" on pages 5 to 13 of this annual report. These discussions form a part of the "Report of the Directors".

FINANCIAL HIGHLIGHTS

The financial highlights of the Group for the five years ended 31 December, which were extracted from the consolidated financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, is as follows.

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Operating income	**304,013.61**	300,424.37	239,383.76	449,256.75	614,607.55
Profit/("–" represents loss) before income tax	**1,485.56**	–58,988.50	–56,688.41	–63,430.88	40,165.92
Income tax expense/("–" represents income)	**–101.32**	–1,358.36	0	–70.43	22,473.33
Profit/("–" represents loss) for the Year	**1,586.88**	–57,630.14	–56,688.41	–63,360.44	17,692.59
Of which:					
Profit/("–" represents loss) attributable to shareholders of the Company	**–2,224.26**	–52,268.29	–42,819.96	–50,135.42	–15,012.92
Minority interests	**3,811.14**	–5,361.85	–13,868.45	–13,225.02	32,705.51
Total assets	**1,017,995.41**	1,004,554.11	1,051,136.60	1,131,901.85	1,257,656.67
Total liabilities	**174,414.93**	165,748.68	156,580.03	166,823.07	213,118.95
Minority interests	**87,733.32**	83,922.18	89,284.03	107,152.49	136,475.99
Total net assets	**843,580.48**	838,805.43	894,556.57	965,078.79	1,044,537.72

PRINCIPAL ACTIVITIES

The principal activities of the Group are electric wires and cables, optical fiber and cables, wire and cable specific materials, irradiation processing, cable accessories, special equipment, equipment and different kinds of information industrial products (except categories restricted or prohibited by the State Council of the PRC) devices and equipment technology research and development, product manufacturing, sales and service. The analysis of the Group's turnover and contribution to the operating results for the Year according to the Group's principal activities and geographical markets is set out in note XIV(II)3 to the financial statements on page 205 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Based on the business nature of the Group, the disciplinary audit, legal compliance, and risk control department of the Group carries out compliance evaluation annually to identify applicable laws and regulations on quality, environmental protection and occupational and health safety in an effort to ensure continuous compliance with relevant requirements under applicable laws and regulations.

RELATIONSHIPS WITH SUPPLIERS AND CUSTOMERS

The Group strives to maintain fair and co-operating relationship with the suppliers and does not have any major supplier that has significant influence on the operations. Relationship with customers is the fundamental of business. The Group fully understands this principle and has maintained close relationship with customers through various means to fulfill their immediate and long-term needs. The analysis of the Group's single largest supplier, the top five largest suppliers, the single largest customer and the top five largest customers for the Year are as follows:

	Percentage (%)	
	2022	2021
Purchase		
Single largest supplier	**26.62**	21.12
Five largest suppliers	**73.89**	46.84
Sales		
Single largest customer	**26.95**	36.47
Five largest customers	**46.05**	49.34

To the best knowledge of the directors (the "Directors") of the Company, none of the Directors or supervisors (the "Supervisors") or their respective close associates or any Shareholders holding more than 5% of the Company's share capital had any direct or indirect interests in any of the five largest suppliers or the five largest customers of the Group.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2022 are set out in note VIII(I)1 to the financial statements on page 187 of this annual report.

PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

Details of the changes in the property, plant and equipment and construction-in-progress of the Group during the Year are set out in notes 12, 13 and 14 of note VI to the financial statements on pages 161 to 165 of this annual report respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 of note VI to the financial statements on page 174 of this annual report.

The Company did not have any proposal for bonus issue, placing of shares or issue of new shares during the Year and there was no change in the share capital of the Company during the Year and up to the date of this annual report.

BANK BALANCES

Details of changes in bank balances of the Group for the Year are set out in note 1 of note VI to the financial statements on page 143.

THE GROUP'S DISTRIBUTABLE RESERVES

The Group's reserves available for distribution to shareholders are the accumulated profits contained in the Group's financial statements prepared in accordance with the (Accounting Standards for Business Enterprises — Basic Standards issued by the Ministry of Finance). Accumulated undistributed profit as at 31 December 2022 was approximately RMB-299,724,682.19 (2021: Accumulated undistributed profit was approximately RMB-297,500,420.97) as set out in note 34 of note VI to the financial statements on page 175 of this annual report.

OVERDUE TIME DEPOSITS

As at 31 December 2022, the Group did not have any deposit and trust deposit with non-banking financial institutions or time deposits that cannot be recovered on maturity.

INCOME TAX

According to the "Policy and Measures to Alleviate the Production and Operation Difficulties of Small and Medium Enterprises in Response to the COVID-19 Pandemic Issued by General Office of the People's Government of Sichuan Province" (Chuanbanfa [2020] No. 10) (《四川省人民政府辦公廳關於應對新型冠狀病毒肺炎疫情緩解中小企業生產經營困難的政策措施》(川辦發[2020]10號)), small and medium enterprises that have suffered significant losses due to the pandemic and whose normal production and operation activities have been significantly affected, and who have genuine difficulties in paying housing property tax and urban land use tax, may apply for exemption from housing property tax and urban land use tax during the COVID-19 pandemic. In order to implement the preferential policies on housing and land taxes during the COVID-19 pandemic, the Sichuan Provincial Tax Service, State Taxation Administration and the Sichuan Provincial Finance Department issued the "Announcement on Matters Relating to the Continued Exemption from Housing Property Tax and Urban Land Use Tax during the Pandemic" (Announcement No.2 of the Sichuan Provincial Tax Service, State Taxation Administration in 2021)《(關於繼續免徵疫情期間房產稅城鎮土地使用稅有關事項的公告)》(國家稅務總局四川省稅務局公告2021年第2號) on 30 April 2021, and the Company continued to enjoy the tax reduction and exemption of housing and land taxes during the COVID-19 pandemic in 2022.

The Company obtained the High-tech Enterprise Certificate on 15 December 2021 jointly issued by the Science & Technology Department of Sichuan Province, the Sichuan Provincial Finance Department and the Sichuan Provincial Tax Service, State Taxation Administration, with a validity period of 3 years, and the certificate number is GR202151003385. The enterprise income tax will be paid at a reduced tax rate of 15% from 2021 to 2023.

Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company, obtained the High-tech Enterprise Certificate on 11 September 2020, jointly issued by the Science & Technology Department of Sichuan Province, the Sichuan Provincial Finance Department and the Sichuan Provincial Tax Service, State Taxation Administration, with a validity period of 3 years. The certificate number is GR202051001074. The enterprise income tax will be paid at a reduced tax rate of 15% from 2020 to 2022.

RISK MANAGEMENT

The Group adheres to the principle that risk management must be in line with its overall business strategies and serve the Group's strategic concept while strengthening the risk classification and identification management and taking risk management as its daily routine. The Group's risk management targets to seek appropriate balance between the risks and benefits and minimize the effects of the risks on the Group's financial performance and maximize the interests of the shareholders and other equity investors. Based on such objectives, the Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor and control risks within a stipulated range in a timely and reliable manner.

1. "Two Funds" management risk

The Group's management risk of "Two Funds" refers to the risk of bad debts due to the long ageing of accounts receivable and unreasonable inventory reserves, resulting in excessive inventory. The Group will improve the accounts receivable management system and inventory management system; regularly settle accounts receivable; collection of accounts receivable through various means and recourse by legal means when necessary; maintain regular reconciliation traceability, promote accelerated recovery, revitalise existing assets, accelerate capital flow, and reduce the risk of bad debt losses; set up safety inventory reasonably, closely monitor the actual inventory quantity and production plan arrangement, and avoid excessive inventory through timely procurement and appropriate increase in procurement frequency.

2. Health, safety and environmental risks

Health and safety risks faced by the Group refer to the occurrence of major casualties and safety accidents, and the occurrence of new occupational diseases; environmental pollution risk accidents; dedicated safety management personnel are not in place. The Group will strengthen production safety management and establish a production safety standardisation system; carry out standardisation and compliance construction; implementation of hidden danger investigation and rectification; assign full-time safety management personnel in accordance with relevant requirements.

3. Quality risk

The Group is exposed to quality risks arising from product quality fines and claims from customers due to quality issues. The Group will strengthen the business knowledge training for operational positions to continuously improve the professional quality and ability of employees; strengthen the communication with on-site personnel of technical quality and process with customers and feedback on the actual use of environment to fully understand customer needs; analyse and deal with quality issues in a timely manner and take corrective and improvement measures; strengthen process discipline inspection and quality target assessment; strengthen customer relationship and solve quality problems through after-sales to reduce return.

4. Human resources risk

The human resources risk faced by the Group refers to the weakness of the research and development technology team; lack of technology leaders. The Group will strengthen the daily management of the staff to be on duty, deeply understand the situation of the staff to be on duty, and properly manage the flow of the staff to be on duty; according to the overall strategic planning of the Company and the actual needs of business development, the Company formulated the annual recruitment plan, and supplemented the missing personnel through campus recruitment and social recruitment channels.

5. Production management risk

The production management risk faced by the Group refers to the high production cost with incomplete product specifications. The Group will increase the product passing rate; increase production volume; we will accurately locate our own products and target users, explore user needs and increase the market share of our products.

NUMBER OF SHAREHOLDERS

Details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2022 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares — H Shares	161
Total number of Shareholders	162

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the largest Shareholder of the Company was Chengdu Siwi Electronic Co., Ltd., holding 240,000,000 issued state-owned legal person shares, and representing 60% of the total issued share capital of the Company. At the beginning of the Year, HKSCC Nominees Limited ("HKSCC", holding shares of the Company on behalf of various customers) held 157,592,999 H Shares of the Company, representing 39.40% of the total issued share capital of the Company. At the end of the Year, HKSCC held 157,792,999 H Shares of the Company, representing 39.45% of the total issued share capital of the Company.

As shown in the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance ("SFO"), the Group was notified by the Shareholders holding 5% or more of the Group's issued H Shares. The interests, other than those held by Directors, Supervisors and chief executives of the Company, are disclosed below.

As indicated by HKSCC, as at 31 December 2022, the following Central Clearing and Settlement System ("CCASS") participants held 5% or more of the total number of H Shares issued:

CCASS participant	Number of H Shares held at the end of the Year	Percentage of H Shares	Percentage of total issued share capital
The Hong Kong & Shanghai Banking Corporation Limited	23,361,000	14.60%	5.84%
BOCI Securities Limited	11,819,000	7.38%	2.95%
Bank of China (Hong Kong) Limited	8,856,000	5.53%	2.21%
UBS SECURITIES HONG KONG LTD	8,828,000	5.51%	2.21%
Essence International Securities (Hong Kong) Limited	8,532,000	5.33%	2.21%

Save as disclosed above, as at 31 December 2022, the Company was not aware of any other shareholding interests which were required to be disclosed pursuant to the SFO. The Board was not aware of any person holding, directly or indirectly, 5% or more of the interests in the issued H Shares of the Company.

SUFFICIENT PUBLIC FLOAT

According to public information available to the Company and to the best knowledge of each of the Directors, the Company has confirmed that the public have held sufficient shares during the Year and up to the date of this report.

DIRECTORS AND SUPERVISORS

During the Year and up to the date of this report, the Directors and Supervisors of the Company are as follows:

Executive Directors

Li Tao (Chairman)
Wu Xiaodong
Hu Jiangbing
Zhu Rui
Jin Tao
Chen Wei (Appointed on 6 September 2022)
Li Jianyong (Resigned on 6 September 2022)

Independent Non-executive Directors

Fu Wenjie
Zhong Qishui
Xue Shujin (Appointed on 6 September 2022)
Xiao Xiaozhou (Resigned on 6 September 2022)

Supervisors

Wang Cheng (Chairman)
Gao Bo (Appointed on 9 December 2022)
Liu Jun
Xiong Ting (Resigned on 10 November 2022)

PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. Directors

Executive Directors

Ms. Li Tao, aged 51, graduated from Southwestern University of Finance and Economics (西南財經大學) with a bachelor's degree in management majoring in accounting. She is a senior accountant, and currently serves as an executive Director and Chairman of the tenth session of the Board of the Company. Ms. Li is also the deputy chief accountant of the 29th Research Institute of China Electronics Technology Group Corporation (中國電子科技集團公司第二十九研究所) (the "29th Research Institute"). Ms. Li has successively held various positions, including the deputy director and director of the finance department of the 29th Research Institute. Ms. Li joined the Company in November 2021 and has accumulated extensive experience in financial management.

Mr. Wu Xiaodong, aged 53, graduated from Xidian University (西安電子科技大學) with a bachelor's degree in engineering majoring in industrial management and engineering. He is senior engineer, and currently serves as an executive Director of the tenth session of the Board, general manager of the Company and the general manager of Chengdu Siwei High-tech Industrial Park Co., Ltd. (成都四威高科技產業園有限公司). Mr. Wu has successively held various positions in the 29th Research Institute, including the deputy director of the electronic assembly center, deputy director of the equipment department, deputy director of the comprehensive planning department, deputy director of the planning department (in charge of work), deputy director and secretary to the branch committee of the Party of the finance department, member of the operation management team of the military system business department, deputy director of the military system business department, head of the finance division of the military system business department and director of the material security department, as well as the secretary to the branch committee of the Party of the material security department, tender management office, distribution and supply center and Chengdu Jiahao Technology Company Limited (成都嘉濠科技有限公司). Mr. Wu joined the Company in November 2021 and has accumulated extensive experience in planning and management and supply chain management.

Mr. Hu Jiangbing, aged 55, graduated from Chongqing Institute of Posts and Telecommunications with a bachelor's degree in Engineering (majoring Telecommunication Engineering). He is an executive Director of the tenth session of the Board of the Company. Mr. Hu also serves as and the deputy chief economist of the 29th Research Institute. Mr. Hu was previously a technician of institute, an engineer of video branch of factory, deputy factory manager of machine branch of factory, general manager and secretary of branch of technical quality department and deputy factory manager of Xi'an Putian Communication Equipment Factory (西安普天通信設備廠), general manager of China Putian Information Industrial Xi'an Company (中國普天信息產業西安公司), a committee member of party committee and deputy general manager of Xi'an Putian Telecommunication Co., Ltd （西安普天通信有限公司）, general manager of the Company and the secretary of the Party Committee. Mr. Hu joined the Company in November 2018. He has extensive experience in telecommunication technology and corporate management.

Mr. Zhu Rui, aged 47, graduated from Southwest Agricultural University (西南農業大學) (currently known as Southwest University (西南大學) with a master's degree in engineering majoring in agricultural mechanization engineering. He is a senior engineer, and currently serves as an executive Director of the tenth session of the Board of the Company. Mr. Zhu also holds office as the secretary to the branch committee of the Party and deputy director of the comprehensive planning department of the 29th Research Institute. Mr. Zhu has successively held various positions, including the deputy director of the aviation product department and deputy director of the comprehensive planning department of the 29th Research Institute. Mr. Zhu joined the Company in November 2021 and has accumulated extensive experience in corporate planning and management.

Mr. Jin Tao, aged 37, graduated from Huazhong University of Science and Technology (華中科技大學) with a master's degree in engineering majoring in mechatronic engineering. He is a senior engineer, and currently serves as an executive Director of the tenth session of the Board of the Company. Mr. Jin also holds office as the deputy secretary of branch committee of the Party (in charge of overall operation) and the deputy director of the manufacturing technology department of the 29th Research Institute. Mr. Jin served as the senior manufacturing technician of the manufacturing technology department of the 29th Research Institute. Mr. Jin joined the Company in November 2021 and has accumulated extensive experience in production management of manufacturing technology.

Mr. Chen Wei, aged 36, graduated from Huazhong University of Science and Technology (華中科技大學) with a bachelor's degree in mechanical design manufacturing and automation and a master's degree in Mechanical Electronic Engineering. He is a senior engineer, and currently serves as an executive Director of the tenth session of the Board of the Company. Mr. Chen also holds office as the director of the material assurance department, a secretary of the Party Branch of the material assurance department and the tender management office of the 29th Research Institute . Mr. Chen has successively served different positions including an engineer, the party secretary (presiding over the work) and deputy director of the department of arts and engineering, the deputy director of the department of integrated planning and the deputy director of the material assurance department of the 29th Research Institute. Mr. Chen joined the Company in September 2022 and has extensive experience in mechanical and electronic automation.

Independent Non-executive Directors

Ms. Fu Wenjie, aged 54, obtained a master's qualification in business administration from Sichuan Institute of Business Administration (四川省工商管理學院) and is a qualified asset valuer. Ms. Fu is currently an independent non-executive Director of the tenth session of the Board of the Company, the director and deputy general manager of Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd. and a technical consultant of the Expert Pool of Sichuan Asset Appraisal Industry (四川省資產評估行業專家庫). Since January 1997, Ms. Fu has served as the manager of the integrated appraisal department, the manager of the audit department, the assistant to the general manager, the deputy general manager and other positions in Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd.. Ms. Fu successively served as the vice chairman of the fourth session of the appeal committee of the Sichuan Asset Appraisal Association (四川省資產評估協會); and participated in the practice quality assurance team of the asset appraisal industry organized by the Ministry of Finance and the China Asset Appraisal Association (中國資產評估協會) for many times; and took part, as an asset appraisal expert, in the relevant inspection and approval work undertaken by the securities regulatory department, the audit department, state-owned asset department and enterprises owned by the central government in Sichuan province for many times; and organized and undertook the listing projects of a number of companies; and participated in the asset restructuring, placing of shares, mergers and acquisitions, consulting projects of a number of listed companies in the PRC, and the expert review of the government-social capital cooperation projects. Ms. Fu joined the Company in August 2021 and has over 20 years of extensive experience in asset appraisal, financing and mergers and acquisitions.

Mr. Zhong Qishui, aged 47, obtained a doctoral degree in engineering majoring in circuits and systems from University of Electronic Science and Technology of China (電子科技大學), a master's degree in vehicle engineering from Beijing Institute of Technology (北京理工大學) and a bachelor's degree in automotive engineering from Chongqing University (重慶大學). He is currently an independent non-executive Director of the tenth session of the Board of the Company, an associate professor and doctoral advisor of the School of Aerospace of University of Electronic Science and Technology of China. Mr. Zhong has successively held various positions, including the project manager of Skyworth Electronics R&D Center (創維電子研發中心) and a lecturer of the School of Aerospace of University of Electronic Science and Technology of China. He was also a postdoctoral fellow in China Zhenhua Electronics/Sinowatt Dongguan Limited, and a visiting scholar sponsored by the government's scholarship at Rutgers University in New Jersey of the United States. Mr. Zhong joined the Company in November 2021 and has accumulated extensive experience in system control.

Mr. Xue Shujin, aged 65, graduated from Chengdu Telecommunications Engineering Institute* (成都電訊工程學院) (currently known as University of Electronic Science and Technology of China). He is a senior engineer, and currently serves as the legal representative of Tianjin Quanbo Technology Limited Company* (天津市全波科技有限公司). Mr. Xue has served various engineering positions in the state-owned 609 factory, with his last position as the chief engineer and he was also appointed as the strategic advisor for Heng Tong Group Company Limited (亨通集團有限公司) and a technical advisor for Tong Guang Group Company Limited (通光集團有限公司). Mr. Xue joined the Company in September 2022. He has been involved in the field of telecommunication manufacturing and technology development for almost 40 years and has an established reputation as an expert within the industry.

Independence of Independent Non-executive Directors

The Company has received annual written confirmation of independence from all independent non-executive Directors under Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Service Contracts of Directors

Each of the existing Directors appointed or re-elected on 12 November 2021 and appointed on 6 September 2022 has entered into a service contract with the Company, with a term commencing from the date of appointment or re-election to the date when a new session of the Board is elected at an extraordinary general meeting to be held in 2024. All the executive Directors will not receive Director's remuneration. Instead, their remuneration will be determined with reference to his specific administrative duties and upon assessment in accordance with relevant requirements of the PRC and its internal remuneration management regulations. The remuneration for each independent non-executive Director for his/her services provided under his/her service contract is RMB50,000 per annum (before tax).

No Director has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

2. Supervisors

Ms. Wang Cheng, aged 37, graduated from Southwestern University of Finance and Economics (西南財經大學) with a master's degree in financial management. She is a senior accountant, and currently serves as the chairman and a Supervisor of the tenth session of the Supervisory Committee of the Company. Ms. Wang also holds office as the deputy director of the accounting shared service center of the finance department, deputy director of the finance department and senior accountant of the 29th Research Institute. Ms. Wang served as the chief financial officer of Chengdu Xike Microwave Communication Co., Ltd. (成都西科微波通訊有限公司), a subsidiary of the 29th Research Institute. Ms. Wang joined the Company in November 2021 and has accumulated extensive experience in financial management.

Mr. Gao Bo, aged 34, graduated from Zhongnan University of Economics and Law (中南財經政法大學) with a bachelor's degree in management majoring in accounting. He is currently the Supervisor of the tenth session of the Supervisory Committee, the deputy secretary of the Party Committee and the secretary of the Disciplinary Commission of the Company. Mr. Gao has also previously worked in the Long March Machinery Factory of the China Aerospace Science and Technology Corporation* (中國航天科技集團公司), CETC Rongwei Electronic Technology Co., Ltd* (中電科蓉威電子技術有限公司) and the 29th Research Institute. Mr. Gao joined the Company in October 2022 and has amassed extensive experience in internal control and disciplinary supervision.

Mr. Liu Jun, aged 53, graduated from Chengdu Radio and Television University with a College degree in property management. Mr. Liu currently is elected by the staff of the Company at the labor congress as a staff representative Supervisor of the tenth session of the Supervisory Committee of the Company, the manager of the Party-Masses Work Department and the vice chairman of the labor union of the Company. Mr. Liu joined the Company in August 1990, and successively served as a technician, assistant engineer and factory assistant of power plant, assistant manager of the property management department and the deputy director of Party-Masses Work Department of the Company.

Service Contracts of Supervisors

Each of the existing Supervisors appointed or re-elected on 12 November 2021 and appointed on 9 December 2022 has entered into a service contract with the Company, with a term commencing from the date of appointment or re-election to the date when a new session of the Supervisory Committee is elected at an extraordinary general meeting to be held in 2024. Terms of office of all Supervisors are renewable for re-election or reappointment upon expiration.

None of the Supervisors have entered into any service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Save as disclosed in this annual report, each of the Directors and Supervisors does not have any other relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders.

3. Company Secretary

Mr. Shum Shing Kei, aged 51, joined the Company on 1 August 2017. Mr. Shum holds a Bachelor Degree (Hon) in Accountancy from Hong Kong Polytechnics and a Master Degree in Financial Management from University of London, United Kingdom. Mr. Shum is a fellow member of The Hong Kong Institute of Certified Public Accountants and has extensive working experience in financial management and company secretarial fields.

4. Senior Management

Ms. Dai Xiaoyi, aged 49, graduated from faculty of telecommunication engineering of Chongqing Institute of Posts and Telecommunications with a college degree in fiber-optic communication. She currently serves as the deputy general manager of the Company. Ms. Dai joined the Company in 1995. She served as a technician of quality division, an engineer of examination center, the deputy director and director of Party-Masses Work Department, the vice chairman of the labor union, the deputy secretary of Disciplinary Commission, assistant to general manager, etc.

Mr. Wang Yanwei, aged 45, graduated from Hefei University of Technology with a bachelor's degree in business administration and is a senior engineer, and currently serves as the deputy general manager of the Company. Mr. Wang has held the positions of deputy director of the research and management department of the Micro-system Division and deputy director of the industrial development department of the 29th Research Institute. Mr. Wang joined the Company in September 2021 and has extensive experience in industrial development planning.

Ms. Wu Dian, aged 34, graduated from Sichuan University with a master's degree in administration and is currently the deputy general manager of the Company. Ms. Wu has worked in the Party-Masses Work Department and Asset Management Department of the 29th Research Institute, and was seconded to the Information Center and General Office of China Electronics Technology Group Corporation. Ms. Wu joined the Company in September 2021 and has extensive experience in organisational management and external cooperation.

Mr. Xu Guangde, aged 37, graduated from Southwestern University of Finance and Economics and Central China Normal University with a master's degree in accounting and a bachelor's degree in financial accounting education, respectively. He is a senior engineer, and currently serves as the chief financial officer of the Company. Prior to joining the Company in October 2022, Mr. Xu worked in the financial department of the 29th Research Institute. He has accumulated extensive experience in financial management.

ENVIRONMENT, EMPLOYEES AND SOCIAL RESPONSIBILITY

Environmental Protection

The Company has established an environmental management system in accordance with the GB/T 24001-2004 (idt ISO 14001:2004). Adhering to the principle of "care for environment", the Company has identified and evaluated environmental factors and dangerous sources based on the Evaluation and Control Procedures for Environmental Factors and the Evaluation and Control Procedures for Identification of Dangerous Sources. In compliance with laws and regulations, the Company's emission of waste met the relevant requirements during the Year. Incidents such as pollution, fire, explosion, electric shock and traffic accidents were prohibited and energy and resources were saved under the requirements of the system. The environmental management system continued to operate effectively.

The details of environmental, social and governance policies will be disclosed in the "2022 Environmental, Social and Governance Report" to be issued by the Company in accordance with Appendix 27 to the Rules Governing the Listing on the Hong Kong Stock Exchange ("Listing Rules").

Employees

In strict compliance with laws and regulations including the Labor Law and the Labor Contract Law of the PRC, the Group has entered into labor contracts with all its staff and contributed to the social insurance for staff in accordance with the regulatory requirements. Sexual or racial discrimination, child labor and forced labor are strictly prohibited, and the remunerations for all male and female staff are solely based on their positions. To protect the rights to participate, express opinions and supervise of our staff, the Company has established a democratic management system with labor congress and labor union as the core. All employees are encouraged to report to the Company at any time for any non-compliance incidents such as employment of child labor and forced labor during the course of recruitment and operation.

Staff and Remuneration Policy of the Group

As at 31 December 2022, the Group had 528 staff members.

The Group has established a complete remuneration system and specified the remuneration structure, remuneration standards and remuneration management. Employees are remunerated based on their position levels, working ability and performance levels, and they are awarded with performance bonus and remuneration adjustment according to their results of performance assessment. Other benefits offered to the staff include basic pension insurance scheme, basic medical insurance scheme, and housing fund scheme. The Group also provides technical trainings to its staff.

Basic Pension Insurance Scheme for Employees

According to the "Labor Law of the People's Republic of China" and the relevant laws and regulations, the Company and its subsidiaries shall contribute to basic pension insurance for their employees. Pension will be paid by authorities of social insurances to employees in accordance with the law when such employees reach the retirement age stipulated by the nation or leave the labor force for some reasons. The Group will then be no longer responsible for providing further retirement benefits to the employees.

Basic Medical Insurance Scheme for Employees

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002. The Company made a total contribution amounting to approximately RMB2.5907 million in the Year (Previous Year: approximately RMB2.9281 million). The Board believes that the participation in the basic medical insurance scheme for employees did not have any significant impact on the financial position of the Company.

Social Responsibility

During the Year, the Company strictly complied with relevant laws, regulations and policies. In particular, the Company paid all taxes in a timely manner, duly fulfilled its responsibility of energy-saving and emission reduction and achieved energy-saving and emission reduction targets. The Company adopted strict accountability for production safety and allocated extra resources to maintain safe production to prevent material safety incidents. The Company also entered into and fulfilled labor contracts with employees in accordance with the law and fully paid social insurance on time.

MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" in this report, there were no other transactions, arrangements and contracts of significance relating to the Company's business (to which the Company or any of its subsidiaries was a party) in which any Director or Supervisor or their associated entity had significant interests, whether directly or indirectly at any time during the Year and at the end of the Year.

MANAGEMENT CONTRACTS

Other than Directors' service contracts and employment contracts with the Group's senior management in full-time employment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the Year, none of the Directors nor Supervisors have any interests in a business which directly or indirectly competes or may compete with the business of the Company (excluding the Company's business) and is discloseable under the Listing Rules.

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 31 December 2022, none of the Directors, Supervisors and Chief Executives or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under Part XV of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (for this purpose, the relevant provisions of the SFO were interpreted as the same also applicable to Supervisors).

SHAREHOLDING OF DIRECTORS AND SUPERVISORS

At no time during the Year did any of the Directors or Supervisors hold any shares of the Company. None of the Directors and Supervisors had any interests in the share capital or debentures of the Company or any of its associated corporations (as defined in the SFO). None of the Directors and Supervisors, their spouses or children under 18 years old was granted rights to purchase share capital or debentures of the Company or any of its associated corporations and there was no exercise of such rights by any of the said persons.

EQUITY-LINKED AGREEMENT

No equity-linked agreement has been entered into during the Year or subsisted at the end of the Year.

PURCHASE AND SALE OF SHARES OR DEBENTURES BY DIRECTORS AND SUPERVISORS

At no time during the Year was the Company or any of its subsidiaries, holding companies or any fellow subsidiaries a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details about the remuneration of Directors, Supervisors and Senior Management are set out in note XI(V)6 and 7 to the financial statements on pages 197 to 199 of this annual report.

FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals in the Group during the Year are set out in note XI(V)8 to the financial statements on page 200 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group are set out in note 27 of note VI to the financial statements on page 172 of this annual report.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in Note 9 to 12 to the financial statements, no significant investment was held by the Group as at 31 December 2022.

As of the date of this report, the Group does not have any concrete future plan for material investment or capital assets. Meanwhile, the Group will continue to actively and regularly review its investment plan, and explore any strategic investment opportunities for the Group's business development, and will use its internal resources for such investment should suitable opportunity arise.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

PLEDGE OF ASSETS

During the Year, due to sufficient working capital for production and operation, the Group did not take out any loan from banks which was secured by the Group's assets (2021: the Group did not obtain any loan from banks which was secured by the Group's assets). As of 31 December 2022, the Group did not pledge any asset as security (2021: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. The Group undertook certain transactions in foreign currency (mainly in US Dollar and Euro).

During the year under review, the Group did not conduct any hedging activity against foreign currency risk. The management manages the currency risk closely by taking into consideration the scale of foreign currency transactions and foreign currency assets and liabilities of the Company to minimize the risk of foreign exchange exposure.

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company (the "Articles of Association") and the Company Law of the PRC, there are no pre-emptive rights which require the Company to offer new shares of the Company to the existing Shareholders in proportion to their respective shareholdings.

CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR RELEVANT ENTITLEMENTS

During the Year, the Group did not issue any convertible securities, share options, warrants or relevant entitlements.

PERMITTED INDEMNITY PROVISION

The Company has purchased and maintained liability insurance for its Directors and Senior Management for any possible legal liabilities arising from the performance of their duties, so that they are secured harmless against all actions, costs, losses, damages and expenses which they may incur or sustain arising from any act of execution of their duties in the Company.

Significant Events

1. Continuing connected transactions

The following connected transactions of the Company are subject to the requirements relating to reporting, announcement, and independent shareholders' approval under Chapter 14A of the Listing Rules.

Cable Assembly Processing Service Framework Agreement

On 29 April 2022, the Company entered into the Cable Assembly Processing Service Framework Agreement in relation to the provision of cable assembly and processing service by the Group to Chengdu Siwi High-Tech Industrial Park Co., Ltd. (成都四威高科技產業園公司) ("Chengdu Siwi High-Tech").

As Chengdu Siwi Hi-Tech is a wholly-owned subsidiary of 29th Research Institute, which is the indirect controlling shareholder of the Company, Chengdu Siwi Hi-Tech is a connected person of the Company under the Listing Rules.

Details of the Cable Assembly Processing Service Framework Agreement are as follows:

Date	:	29 April 2022
Parties	:	The Company and Chengdu Siwi High-Tech
Subject matter	:	Subject to the terms and conditions of each relevant purchase order, the Company will provide high-low frequency cable assembling and processing service to Chengdu Siwi High-Tech from time to time during the effective term of the Cable Assembly Processing Service Framework Agreement
Term	:	Commence upon the conclusion of the 2021 AGM and end on 31 December 2024

The pricing of high-low frequency cable assembling and processing service provided by the Company to Chengdu Siwi High-Tech is not fixed and the price of each transaction will be determined based on the prevailing market price, via a proposal selection process organized by Chengdu Siwi High-Tech.

The annual caps under the Cable Assembly Processing Service Framework Agreement for the Year is RMB110,000,000. During the Year, the total payment received by the Company from Chengdu Siwi High-Tech was approximately RMB31,746,000.

23rd Research Institute Supply Framework Agreement

On 26 August 2022, the Company entered into the 23rd Research Institute Supply Framework Agreement in relation to the provision of accessories, cables and cable joints for high and low frequency components by 23rd Research Institute of China Electronics Technology Group Corporation ("23rd Research Institute") to the Group.

As 23rd Research Institute is a subordinate business entity of China Electronics Technology Group Corporation (中國電子科技集團有限公司) ("China Electronics Technology"), an indirect controlling shareholder of the Company, 23rd Research Institute is a connected person of the Company under the Listing Rules.

Details of the 23rd Research Institute Supply Framework Agreement are as follows:

Date	:	26 August 2022
Parties	:	The Company and 23rd Research Institute
Subject matter	:	The Company will purchase accessories, cables and cable joints for high and low frequency components from 23rd Research Institute from time to time during the term of the 23rd Research Institute Supply Framework Agreement
Term	:	Commence from 26 August 2022 and end on 31 December 2022

The price of the accessories, cables and cable joints for high and low frequency components sold by 23rd Research Institute to the Group are not fixed and to be determined on the prevailing market prices which are comparable to the prices offered to the Group by independent third parties and to be agreed between the Parties.

The annual caps under the 23rd Research Institute Supply Framework Agreement for the Year is RMB7,000,000. During the Year, the aggregate payment made by the Company to 23rd Research Institute was approximately RMB3,537,000.

40th Research Institute Supply Framework Agreement

On 26 August 2022, the Company entered into the 40th Research Institute Supply Framework Agreement in relation to the provision of cable connectors for high and low frequency components by 40th Research Institute of China Electronics Technology Group Corporation ("40th Research Institute") to the Group.

As 40th Research Institute is a subordinate business entity of China Electronics Technology, an indirect controlling shareholder of the Company, 40th Research Institute is a connected person of the Company under the Listing Rules.

Details of the 40th Research Institute Supply Framework Agreement are as follows:

Date	:	26 August 2022
Parties	:	The Company and 40th Research Institute
Subject matter	:	The Company will purchase cable connectors for high and low frequency components from 40th Research Institute from time to time during the term of the 40th Research Institute Supply Framework Agreement
Term	:	Commence from 26 August 2022 and end on 31 December 2022

The price of the cable connectors for high and low frequency components sold by 40th Research Institute to the Group are not fixed and to be determined on the prevailing market prices which are comparable to the prices offered to the Group by independent third parties and to be agreed between the Parties.

The annual caps under the 40th Research Institute Supply Framework Agreement for the Year is RMB7,000,000. During the Year, the aggregate payment made by the Company to 40th Research Institute was approximately RMB2,326,000.

Sumitomo Framework Purchase Agreement

On 15 February 2022, the Company entered into the Sumitomo Framework Purchase Agreement, in respect of the purchase of optical fiber preform and paints and subscription for related technical services by the Group from Sumitomo Electric Industries, Ltd. ("Sumitomo Electric") and its subsidiaries (collectively, "Sumitomo Electric Group").

As Sumitomo Electric is a substantial shareholder of a non-wholly owned subsidiary of the Group, Sumitomo Electric is a connected person of the Group at subsidiary level.

The principal terms under the Sumitomo Framework Purchase Agreement are as follows:

Date	:	15 February 2022
Parties	:	The Company and Sumitomo Electric
Subject matter	:	The Group shall purchase optical fiber preform and paints and subscribe for related technical services from Sumitomo Electric Group from time to time during the tenure of the Sumitomo Framework Purchase Agreement
Tenure	:	15 February 2022 to 31 December 2022

The selling prices of the optical fiber preform and paints sold by Sumitomo Electric Group to the Group as well as the fees of the related technical services provided by Sumitomo Electric Group to the Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by its other independent third parties and to be agreed between the parties.

The annual caps under the Sumitomo Framework Purchase Agreement for the Year is RMB110,000,000. During the Year, the aggregate payment made by the Company to Sumitomo Electric was approximately RMB87,192,000.

8th Research Institute Framework Supply Agreement

On 31 December 2021, the Company entered into the 8th Research Institute Framework Supply Agreement in respect of the supplying of optical fiber products by the Group to 8th Research Institute of China Electronics Technology Group Corporation ("8th Research Institute").

As 8th Research Institute is a subordinate business entity of China Electronics Technology, an indirect controlling shareholder of the Company, 8th Research Institute is a connected person of the Company under the Listing Rules.

Details of the 8th Research Institute Framework Supply Agreement are as follows:

Date	:	31 December 2021
Parties	:	The Company and 8th Research Institute
Subject matter	:	The Group will supply optical fiber products to CETC 8th Research Institute Group from time to time during the effective term of the CETC 8th Research Institute Framework Supply Agreement
Term	:	From 1 January 2022 to 31 December 2022

The selling prices of optical fiber products sold by the Group to 8th Research Institute Group are not fixed and to be determined based on the prevailing market prices which are comparable to the prices offered to independent third parties by the Group and to be agreed between Parties.

The annual caps under the 8th Research Institute Framework Supply Agreement for the Year is RMB10,000,000. During the Year, the aggregate payment made by 8th Research Institute to the Company was approximately RMB2,701,000.

Confirmations from the independent non-executive Directors and auditors of the Company

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of the business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with the Listing Rules. A copy of the Auditors' letter has been provided by the Company to the Stock Exchange.

The auditor of the Company has confirmed to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions for the Year:

- have not been approved by the Board;
- were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group;
- were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- have exceeded the relevant annual caps as disclosed in the previous announcements dated 15 February 2022, 2 May 2022 and 26 August 2022 of the Company.

Confirmations from the Company

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Details of the above continuing connected transaction is set out in the announcements dated 15 February 2022, 2 May 2022, 6 May 2022 and 26 August 2022 and the circular dated 30 May 2022.

2. Related party transactions

Related party transactions of the Company are set out in note XI to the financial statements. For those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules, they are set out in the paragraph headed "Connected Transactions" on pages 27 to 32 of this annual report. It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

3. Contract of significance

Save as disclosed in the section headed "Connected Transactions" of this Report of the Directors, none of the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, and there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

4. Change of Company Name and Stock Short Name

On 30 June 2022, the Company convened the 2021 annual general meeting and passed the special resolution to approve the Change of Company Name from "成都普天電纜股份有限公司 Chengdu PUTIAN Telecommunications Cable Company Limited" to "成都四威科技股份有限公司 Chengdu SIWI Science and Technology Company Limited". On 6 July 2022, the Company completed all the filing and registration procedures in the PRC and obtained the business license issued by the Administration for Market Regulation of Chengdu. With effect from 9:00 a.m. on 16 August 2022, the stock short name has been changed from "CHENGDU PUTIAN" to "SIWI SCI & TECH" in English and from "成都普天電纜股份" to "四威科技" in Chinese for the purpose of trading in the shares of the Company on the Hong Kong Stock Exchange.

5. **Change of Members of the Board, the Supervisory Committee and the Management**

On 6 September 2022, Mr. Li Jianyong has resigned as an executive Director and the chairman of the strategic development committee of the Company; Mr. Xiao Xiaozhou has resigned as an independent non-executive Director and a member of each of the remuneration and appraisal committee, nomination committee, audit committee and strategic development committee of the Company; Mr. Chen Wei has been appointed as an executive Director and a member of the remuneration and appraisal committee of the Company; Mr. Xue Shujin has been appointed as an independent non-executive Director and a member of each of the remuneration and appraisal committee, nomination committee, audit committee and strategic development committee of the Company; and Mr. Wu Xiaodong has been redesignated as the chairman of the strategic and development committee of the Company. On 6 September 2022, the Company convened the 2022 first extraordinary general meeting to approve the re-election of Mr. Chen Wei and Mr. Xue Shujin as an executive Director and an independent non-executive Director of the Company, respectively.

On 10 November 2022, Mr. Xiong Ting resigned as a shareholder representative supervisor of the Company. On 9 December 2022, the Company convened the 2022 second extraordinary general meeting to elect Mr. Gao Bo as a shareholder representative supervisor of the Company.

On 17 May 2022, Mr. Liu Wenzao ceased to be the deputy general manager of the Company. On 18 July 2022, Mr. Li Jian Yong resigned as the general manager of the Company and Mr. Wu Xiaodong, an executive Director, was appointed as the general manager of the Company. On 21 October 2022, Mr. Wang Yinyu ceased to be the chief financial officer of the Company and Mr. Xu Guangde was appointed as the chief financial officer of the Company. On 1 November 2022, Ms. Yu Qian ceased to be the deputy general manager of the Company.

6. **Transfer of 10% Equity Interest in Putian Fasten**

On 29 December 2022, the Company transferred the 10% equity interest in 普天法爾勝光通信有限公司 (Putian Fasten Cable Telecommunication Co. Ltd.*) ("Putian Fasten") held by the Company through public tender on Chongqing United Assets and Equity Exchange* (重慶聯合產權交易所） for a period of 20 working days (the "Publication Period") at an initial bidding price of approximately RMB47,077,390 (the "Disposal"). Upon completion of the Disposal, the Company will cease to hold any equity interest in Putian Fasten. On 31 January 2023, upon the expiry of the Publication Period, no intended transferee has been solicited, and the Disposal has been extended for each subsequent period of 5 working days until a intended transferee is solicited.

SUBSEQUENT MATTERS

1. Transfer of equity interests in an associate

On 28 February 2023, the Company transferred its 49% equity interest ("Disposal") in Chengdu Bada Socket Connector Co., Ltd. ("Chengdu Bada") through public tender on the Chongqing United Assets and Equity Exchange for a period of 20 business days (the "Announcement Period"), i.e. from 28 February 2023 to 27 March 2023, with an initial bidding price of approximately RMB4,321,600. Upon completion of the Disposal, the Company will no longer hold any equity interest in Chengdu Bada. After the expiration of the Announcement Period on 27 March, 2023, no intended transferee was solicited for the Disposal. In accordance with the Regulatory and Administrative Measures for Trading of State-owned Assets of Enterprises (企業國有資產交易監督管理辦法) (No. 32 order of the State-owned Assets Supervision and the Ministry of Finance), the Board of our company approved the reduction of the initial bid price to RMB3.92 million and re-listed it for transfer for a period of ten working days (the "Second Announcement Period"), which will end on 12 April 2023 starting from 29 March 2023. After the expiration of the Second Announcement Period on 12 April 2023, Chengdu Puhui Communication Technology Co., Ltd. (成都高新區普惠通信技術有限公司)("Chengdu Puhui"), the current shareholder holding 51% equity of Chengdu Bada, was confirmed as the intended transferee and will acquire 49% equity of Chengdu Bada from the Company for a price of RMB3.92 million. Chengdu Puhui and the Company will enter into a formal agreement within five working days. According to the formal agreement, Chengdu Puhui will pay the full price of RMB3.92 million within five working days after the formal agreement is signed. As at the latest practicable date, the formal agreement has not yet been entered into.

MATERIAL LITIGATION

On 10 June 2022, the Company as the plaintiff, initiated litigation proceedings against Fasten Optics and its guarantor Fasten Hongsheng, demanding Fasten Optics and Fasten Hongsheng to pay the outstanding amount of approximately of RMB31.3 million and interest of approximately RMB1.5 million respectively, together with penalty which shall accrue up to the date of actual payment of the aforementioned amount, and all litigation costs relating to the case (the "Litigation"). Pursuant to the relevant laws in the People's Republic of China, the court has placed the case on file on 14 June 2022.

On 27 June 2022, the Company entered into a settlement agreement with Fasten Optics (the "Settlement Agreement"), pursuant to which, if Fasten Optics is able to fully settle the outstanding amount of approximately RMB31.3 million, the interest of approximately of RMB2.1 million together with the accrued penalty of approximately RMB0.7 million (the "Settlement Amount") by 30 June 2022, the Company shall file an application for withdrawal of the Litigation and release Fasten Optics and its guarantor Fasten Hongsheng from their liabilities and obligations under the Definite Agreement.

On 1 July 2022, having confirmed the receipt of the full Settlement Amount by the Company, Fasten Optics and Fasten Hongsheng were released from their liabilities and obligations under the Definite Agreement pursuant to the Settlement Agreement, and the Company filed an application for withdrawal of the Litigation to the Chengdu Hi-Tech Industrial Development Zone People's Court* (成都高新技術產業開發區人民法院), which has been approved and granted.

CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE CODE

During the Year, save as disclosed in this annual report, the Company has complied with the provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Details are set out in the corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company.

After specific enquiries to the directors and supervisors of the Company, the Board confirmed that all directors and supervisors had fully complied with the codes as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules during the Year.

AUDIT COMMITTEE OF THE BOARD ("AUDIT COMMITTEE") AND REVIEW OF THE ANNUAL RESULTS

The Company established the Audit Committee in accordance with the Listing Rules. The members of the Audit Committee are Ms. Fu Wenjie (Chairman of the Audit Committee), Mr. Zhong Qishui and Mr. Xue Shujin, all being the independent non-executive directors of the Company. The Audit Committee is responsible for matters such as conducting reviews of the risk management and internal control and financial reports and has reviewed the Company's audited financial statements and annual results for 2022.

The Audit Committee considered that the audited financial statements and annual results of the Company for 2022 were in full compliance with the requirements of the applicable accounting standards, laws and regulations and appropriate disclosure was made.

AUDITORS

Pan-China Certified Public Accountants ("Pan-China") has resigned as the auditor of the Company with effect from 22 December 2021 and Da Hua Certified Public Accountants was then appointed as the auditor of the Company following the resignation of Pan-China.

On 30 June 2022, the Company re-appointed Da Hua Certified Public Accountants as the auditor of the Company.

The auditors will retire at the forthcoming annual general meeting and is eligible for re-appointment at the forthcoming annual general meeting. The financial statements of the Group prepared in accordance with the Accounting Standards issued by Ministry of Finance of the PRC have been audited by the auditors, Da Hua Certified Public Accountants.

By order of the Board
Li Tao
Chairman

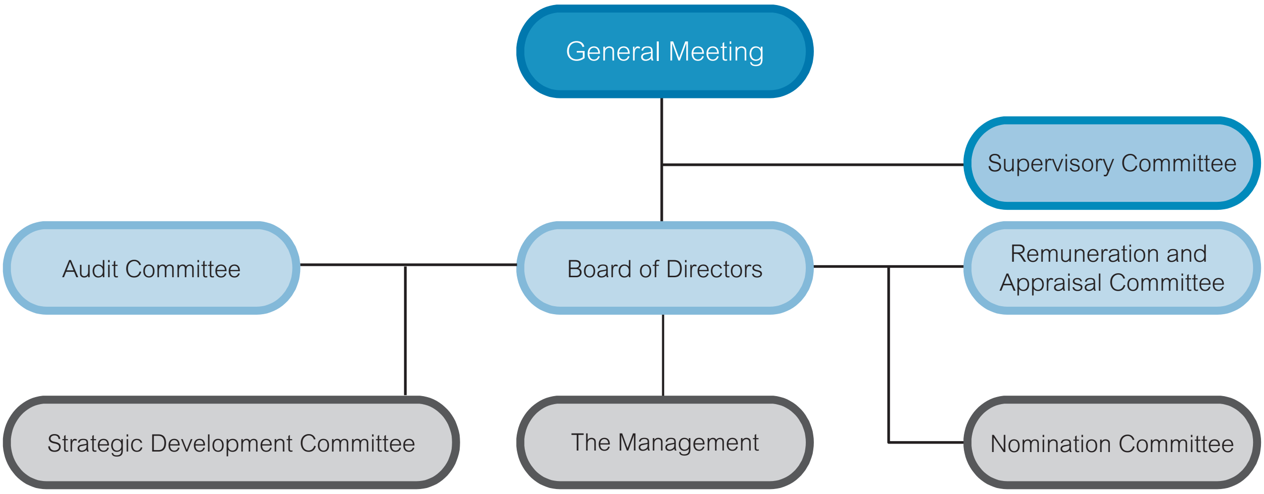
24 March 2023

CORPORATE GOVERNANCE REPORT

The Board hereby reports to the Shareholders in respect of the Company's undertakings and its performance on corporate governance for the year ended 31 December 2022 (the "Year").

The Company attaches great importance to corporate governance principles that emphasize a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture. The Company is committed to maintain a good framework of corporate governance and to comply with applicable statutory and regulatory requirements with a view to assure the conduct of the management of the Company as well as protecting the interests of all Shareholders. The Board mainly assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company.

Set out below is the corporate governance structure of the Company:



GOVERNANCE STRUCTURE

(i) Corporate Governance and Corporate Governance Code

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholder's value. For the Year, the Company had applied the principles and complied with the code provisions, and also complied with the applicable recommended best practices, of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to Shareholders.

The Company will, from time to time, review and enhance its corporate governance practices to ensure that these practices continue to meet the requirements of the CG Code.

(ii) Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors and Supervisors, each of them confirmed that they have complied with the required standards set out in the Model Code during the Year in relation to their securities dealings, if any.

(iii) The Board of Directors

The tenth session of the Board was elected at the first extraordinary general meeting for 2021 held on 12 November 2021 and its members was appointed by the Board on 6 September 2022 and were re-elected at the first extraordinary general meeting for 2022 held on 27 September 2022. The Board currently comprises a total of 9 members, with 6 executive Directors and 3 independent non-executive Directors.

Executive Directors

Ms. Li Tao (Chairman)
Mr. Wu Xiaodong
Mr. Hu Jiangbing
Mr. Zhu Rui
Mr. Jin Tao
Mr. Chen Wei (Appointed on 6 September 2022)
Mr. Li Jianyong (Resigned on 6 September 2022)

Independent Non-executive Directors

Ms. Fu Wenjie
Mr. Zhong Qishui
Mr. Xue Shujin (Appointed on 6 September 2022)
Mr. Xiao Xiaozhou (Resigned on 6 September 2022)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Each of the existing Directors appointed on 12 November 2021 and 6 September 2022 or re-elected on 27 September 2022 has entered into a service contract with the Company, commencing from the date of appointment or re-election to the date when a new session of Board is elected at an extraordinary general meeting to be held in 2024. Members of the Board come from different backgrounds and they have extensive experience in different sectors including electronic information technology, wire and cable industry, corporate management, financing accounting, project management and capital operation, etc. Save as otherwise disclosed, members of the Board are unrelated to one another. The Board of the Company is able to fulfill the requirements set out in rules 3.10(1) and (2) of the Listing Rules.

Directors are elected in or replaced by way of the general meetings. Shareholders or the Board are entitled to nominate a candidate for directorship by written notice. Directors have a term of office of three years and are eligible to offer themselves for re-appointment upon expiry of the term.

The main responsibilities of the Board include overseeing all major matters of the Company, such as exercising management decisions power with the authority delegated by the general meetings in respect of the Company strategic development and planning, business planning, management structure, investment and financing, human resources and financial control. The Board is also responsible for developing and reviewing the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors. The Board has to make decisions that are of the best interests of the Company and the Shareholders and all substantial transactions or transactions of the Company with conflicts of interests are to be decided by the Board. Set out below are the corporate governance functions carried out by the Board:

- to determine the policy of corporate governance;
- to develop and review the Company's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the Year, 21 meetings of the Board of the Company were held to discuss the Company's business development direction, operating results and financial performance, the composition the Board, the adjustment of the organizational structure and continuing connected transactions. Directors could attend meetings in person or through other electronic communication devices.

The Company has put in place various measures, including but not limited to providing the right for Directors to seek advice from independent advisers, confirming the independence of independent non-executive Directors on an annual basis in accordance with the Listing Rules, ensuring that independent non-executive Directors account for at least one-third of the Board, and reviewing investor relations on an annual basis. In addition, the audit committee, which is composed entirely of independent non-executive Directors, is responsible for overseeing the Group's financial reporting process and reviewing the Group's internal control and internal audit functions. For other committees, a majority of the members are independent non-executive Directors. By appointing independent non-executive Directors to the above committees, the Company ensures that independent views are fully represented at the operational level of the Company.

The Company has also put in place measures for communicating with investors to facilitate fair decision-making by the Board and to enable investors to communicate their opinions to the Company in a timely manner. The Company is committed to maintaining open and transparent communication channels with investors to enhance the Board's accountability and responsiveness.

The Board will evaluate the implementation and effectiveness of the above policies and mechanisms on an annual basis to ensure that the Board can obtain independent views and opinions.

Set out below are the attendance of board meeting and Shareholders meeting of each Director during the Year:

Name of Directors	Board Meeting Attended/ Eligible to Attend	2021 Annual General Meeting Attended	First Extraordinary General Meeting for 2022 Attended	Second Extraordinary General Meeting for 2022 Attended
Executive Directors				
Ms. Li Tao (Chairman)	21/21	✔	✔	✔
Mr. Wu Xiaodong	21/21			
Mr. Hu Jiangbing	20/21			
Mr. Zhu Rui	18/21			
Mr. Jin Tao	20/21			
Mr. Chen Wei[1]	5/5		✔	
Mr. Li Jianyong[2]	15/16		✔	
Independent Non-executive Directors				
Ms. Fu Wenjie	21/21			
Mr. Zhong Qishui	19/21			
Mr. Xue Shujin[1]	5/5			
Mr. Xiao Xiaozhou[2]	14/16			

1 Appointed on 6 September 2022
2 Resigned on 6 September 2022

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable standards and to report on material uncertainties, if any, relating to events or conditions that may cast significance to doubt upon the Company's ability to continue as a going concern. The Directors are responsible for overseeing the preparation of financial statements of the Group with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group that relevant statutory and regulatory requirements and applicable accounting standards are complied with. The Directors also acknowledge their responsibilities to ensure the financial statements of the Group are published in a timely manner. The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The reporting responsibilities of the Company's external auditors on the financial statements of the Group are set out in the "Auditor's Report" in this annual report. Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage of any legal liabilities which may arise in the course of performing their duties.

Independent non-executive Directors

The Company has three independent non-executive Directors, which complies with the requirement of rules 3.10(1), (2) and 3.10(A) of the Listing Rules. Independent non-executive Directors were assumed by the persons who are independent of any Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules) or such individuals without any connection thereto (the independent third parties), which complies with the requirement of independence of Listing Rules. According to the Listing Rules, each independent non-executive Director had confirmed his/her independence to the Stock Exchange prior to his/her appointment.

The Company has received written confirmation of independence from all independent non-executive Directors, confirming their independent status to the Company. The Company continues to consider them independent under Rule 3.13 of the Listing Rules. The independent non-executive Directors of the Company play an important role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. They bring an impartial view on issues of the Company's strategies, performance and control. Our independent non-executive Directors possess extensive academic, professional and industry experience and management experience and have provided their independent, constructive and professional advice to the Board. The backgrounds of independent non- executive Directors are also in compliance with the requirements of rule 3.10(2) of the Listing Rules, which requires that at least one independent non-executive Director has appropriate professional qualifications, accounting or related financial management expertise.

The independent non-executive Directors expressed their analysis and opinions in respect of various issues as far as the Shareholders and the Company are concerned, and their extensive experience in business and finance are essential for the smooth development of the Company. The attendance of independent non-executive Directors in Board meetings, either by attending in person or by way of electronic communication, was relatively high.

Board meetings

Meetings of the Board are held regularly and there was satisfactory attendance for Board meetings. Regular Board meetings are scheduled in advance to give the directors an opportunity to attend. All directors are invited to include matters in the agenda for regular board meetings and Directors can attend board meetings either in person or by electronic means of communication.

Notices of Board meetings or special committees' meetings are delivered to the Directors or special committee members at least 14 days before the meetings for the Directors to prepare for the relevant meetings and incorporate other matters into the agenda. The meeting materials and the agenda of the Board meeting or special committee meeting are distributed to Directors or members of special committees at least 3 days before the meetings to allow sufficient time to enable them to review the relevant materials and prepare for the meetings.

Directors are free to express their views in the meetings. Important decisions will only be made after detailed discussions in the Board meetings. Directors confirm that they have the responsibility to act in the interests of the Shareholders and shall not ignore the interests of minority Shareholders.

Detailed minutes of meetings are compiled for Board meetings or special committees' meetings. Draft minutes are emailed after meeting for circulation among Directors or special committee members for perusal and comments before being endorsed by the Board or the special committees. All Directors are free to communicate with the company secretary who is responsible for ensuring and advising on compliance with all procedures in connection with the Board and all applicable rules and regulations.

Minutes of Board meetings or special committees' meetings must record in detail issues considered by the Directors during the meeting as well as the resolutions made including any worries or objections put forward by the Directors.

Minutes of Board meetings or special committees' meetings are to be kept by the secretary to the Board to which the Directors have free access. The management shall on their own accord or upon enquiries provide appropriate and sufficient information to the Directors and special committees members and/or respond as soon as possible so as to keep them informed of the Company's latest development to facilitate their performance of duties.

Each Director is provided with a Director's Handbook containing guidance on practice. Provisions of relevant legislations or the Listing Rules are quoted in the Director's Handbook to remind Directors of the need to discharge their responsibilities including disclosure to the supervisory bodies of their interest, potential conflict of interests and details about changes of personal data. The Director's Handbook will be updated from time to time as per changes in laws and regulations as well as the Listing Rules.

The Board and the special committees are provided with sufficient resources for performance of duties including but not limited to hiring consultants as and when necessary with fees borne by the Company. Individual Directors can also engage consultants for advice on any specific issues of the Company with fees borne by the Company. All Directors can obtain from the company secretary timely information and latest development about rules and regulations and other continual responsibilities which directors of listed companies must observe so as to ensure that each Director is informed of his own duties and that the Company implements Board procedures consistently and complies with the laws and regulations as appropriate.

(iv) Chairman and General Manager

The Company's Chairman and the General Manager are appointed by the Board. The positions are respectively taken up by Ms. Li Tao and Mr. Wu Xiaodong. The role of the Chairman is separate from that of the General Manager so as to delineate their respective areas of responsibility, power and authority. The Chairman focuses on the Group's strategic planning while the General Manager has overall executive responsibility for the Group's development and management. They receive significant support from the directors and the senior management team.

The Chairman has a clear responsibility to ensure that the whole Board receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable. The Board, led by the Chairman, sets the overall directions, strategy and policies of the Company.

The Chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. The Chairman is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures.

The Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings. The Chairman also encourages the Directors to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus.

(v) Independent Non-Executive Directors

The Company has three independent non-executive Directors, representing one-third of the Board. They are assumed by persons totally independent of Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules). The term of office of Ms. Fu Wenjie and Mr. Zhong Qishui, the independent non-executive Directors, is three years commencing from 12 November 2021, and the term of office of Mr. Xue Shujin commences from 6 September 2022 until the conclusion of the term of the tenth session of the Board. Ms. Fu Wenjie, Mr. Zhong Qishui and Mr. Xue Shujin, our independent non-executive Directors, strictly comply with the independent requirements of the Listing Rules. The three independent non-executive Directors assume membership in the audit committee, nomination committee, remuneration and appraisal committee, and strategic development committee under the Board.

(vi) Professional Trainings Taken by Directors

Directors shall keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company. All Directors are encouraged to participate in continuous professional development to further develop their knowledge and skills. The Company has arranged lawyers' training and in-house trainings for Directors in the form of seminar and reading materials, journals and newsletters. All Directors are encouraged to attend relevant training courses at the Company's expenses. A summary of training received by Directors during the Year according to the records provided by the Directors is as follows:

Name of Directors	Types of continuous professional training Corporate governance, regulatory development and other related training	Read articles publications, newsletter and updates relating to director's duty
Executive Directors		
Ms. Li Tao (Chairman)	✔	✔
Mr. Wu Xiaodong	✔	✔
Mr. Hu Jiangbing	✔	✔
Mr. Zhu Rui	✔	✔
Mr. Jin Tao	✔	✔
Mr. Chen Wei[1]	✔	✔
Mr. Li Jianyong[2]	✔	✔
Independent Non-executive Directors		
Ms. Fu Wenjie	✔	✔
Mr. Zhong Qishui	✔	✔
Mr. Xue Shujin[1]	✔	✔
Mr. Xiao Xiaozhou[2]	✔	✔

1 Appointed on 6 September 2022
2 Resigned on 6 September 2022

(vii) Remuneration and Appraisal Committee

The remuneration and appraisal committee currently comprises five members, comprising three independent non-executive Directors, Ms. Fu Wenjie, Mr. Zhong Qishui and Mr. Xue Shujin and two executive Directors, Mr. Jin Tao and Mr. Chen Wei. The committee is chaired by Mr. Zhong Qishui. The remuneration and appraisal committee holds meetings in due course every year.

The remuneration and appraisal committee makes recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy according to the code provision E.1.2(c)(ii) of the CG Code.

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all Directors and senior management of the Group. The committee is responsible for making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy on all Directors and senior management and for determining remuneration packages of individual executive Directors and senior management. It also assesses the performance of executive directors and approves the terms of executive Director service contracts. It also makes recommendations to the Board on the remuneration of non-executive Directors (including independent non-executive directors), to supervise the execution of the remuneration system, to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with agreement terms; and if compensation payable could not be consistent with agreement terms, it should be fair and not excessive. The committee consults the chairman and/or the general manager about their remuneration proposals for other executive Directors.

The Group's remuneration policy seeks to provide fair and reasonable market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

The remuneration and appraisal committee shall report the passed resolution(s) and voting results to the Board after each meeting. The terms of reference of the remuneration and appraisal committee shall be made available for inspection on request, details of which are also published at the website of the Company (http://cdc.com.cn).

In evaluating the performance of the Directors and senior management, the Company used budget targets and audited financial reports as benchmarks. At the same time, sales revenue, net profits, and key performances were used as business indices. The Company's remuneration policy is that remuneration is linked with Company's performance. Directors' remuneration is determined upon appraisal by the remuneration and appraisal committee. By adopting such initiatives, the Company aims to attract, retain and encourage talents and provide supports for the achievement of operating targets of the Group.

Total income of senior management during the Year comprises of a basic annual salary and a performance-based annual bonus. Remuneration of Directors and Supervisors are determined in general meetings according to related policies or regulations of the PRC and the actual position of the Company. The remuneration of the Directors and Supervisors working for the Company are paid according to the duties they undertake in the Company.

During the Year, the remuneration and appraisal committee held two meetings to review the remuneration package of management and the remuneration of new Directors respectively.

During the Year, independent non-executive Directors, namely Ms. Fu Wenjie, Mr. Zhong Qishui and Mr. Xue Shujin, were paid remuneration while the remaining Directors and Supervisors (including Directors and Supervisors working for the Company) were not paid any director or supervisor remuneration by the Company.

(viii) Nomination Committee

The nomination committee currently comprises five members, including three independent non-executive Directors, Ms. Fu Wenjie, Mr. Zhong Qishui and Mr. Xue Shujin and two executive Directors, Ms. Li Tao and Mr. Zhu Rui. The committee is chaired by Ms. Li Tao. The nomination committee holds meetings in due course every year.

The purpose of the committee is to determine the policy for the nomination of directors performed by the nomination committee. It is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board. The nomination committee is also responsible for reviewing the structure, size, composition and diversity (including but not limited to gender, ages, cultural and education backgrounds, occupations, experience, skills, knowledge and length of service) of the Board at least annually and identifying and selecting individuals suitably qualified to become members of the Board in line with the Company's corporate strategy for the recommendations to the Board on the selection of individuals nominated for directorships. The committee supervises the implementation of Board Diversity Policy, reviews such policy at least once a year to ensure its effectiveness, and advise the Board of Directors on any proposed revision of the policy. The committee carries out extensive search for qualified candidates for Directors and managers and it is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the vice chairman and the chief executive officer of the Company. The committee consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board. Currently, the nomination committee believes that the Board is sufficiently diversified to ensure that its members have the appropriate skills, experience, and diverse perspectives and views for decision-making. During the Year and up to the date of this report, the Board has two female Directors, which is considered to have achieved gender diversity for the purposes of the Board. The Board aims for at least one female member to establish a potential pipeline of Director successors and achieve gender diversity. The Board will continue to seek opportunities to increase the proportion of female members in the future, subject to the availability of suitable candidates.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company. The chairman of the nomination committee shall report the approved resolution(s) and the voting results to the Board after each meeting in writing.

The terms of reference of the nomination committee shall be made available for inspection on request, details of which are also published at the website of the Company (http://cdc.com. cn).

During the Year, the nomination committee had convened four meetings to discuss the candidates for the Board of the Company and candidates for the management. The nomination committee and the Board have reviewed the diversity policy and its effectiveness of the Board. The current members of the Board are in line with the diversity policy in terms of gender, age, cultural and educational background, occupation, experience and skills, in line with the Company's current business development needs, and is conducive to improving corporate governance and standardized operation of the Company. The Board currently includes two female members, which complies with the relevant requirements under Rule 13.92 of the Listing Rules.

As of 31 December 2022, the gender ratio of the Group's employees was approximately 80.13% male and 19.87% female. For detailed information and data on the Group's employee gender ratio, please refer to page 45 of the Environmental, Social and Governance Report of the Company for the Year.

(ix) Audit Committee

The Company has set up an audit committee since August 1999. The committee currently comprises three members, including the existing three independent non-executive Directors of the Company, namely Ms. Fu Wenjie, Mr. Zhong Qishui and Mr. Xue Shujin, and is chaired by Ms. Fu Wenjie. The audit committee holds meetings in due course every year.

Members of the audit committee have a term of three years. Terms of reference of the committee are formulated in accordance with recommendations of "A Guide for Effective Audit Committee" promulgated by the Hong Kong Institute of Certified Public Accountants and the requirements of the Listing Rules. Its major duties include: to report to the Board, examine quality and procedure of the Group's interim and annual reports, review the connected transactions, monitor the financial reporting procedure, review soundness and effectiveness of risk management, internal control and internal audit systems of the Company, consider the appointment of independent auditors, co-ordinate and review its efficiency and work quality, study written reports of internal audit staff and review feedback from the management to such reports.

The terms of reference of the Audit Committee shall be made available for inspection on request, details of which are also published at the website of the Company (http://cdc.com.cn).

During the Year, the audit committee had convened three meetings. During the meetings, the Audit Committee reviewed the annual results and its corresponding accounts for 2021, the interim results and its corresponding accounts for the six months ended 30 June 2022, discussed the Company's continuing connected transactions, the Company's works on internal control matters and other works as required under the CG Code. All resolutions passed during the meetings of the committee were duly recorded in accordance with related rules, and the records were filed upon perusal by all members of the audit committee with amendments. After each meeting, the chairman submitted reports on the significant matters discussed to the Board.

(x) Strategic Development Committee

The strategic development committee currently comprises five members, including three independent non-executive Directors, Ms. Fu Wenjie, Mr. Zhong Qishui and Mr. Xue Shujin and two executive Directors, Mr. Wu Xiaodong and Mr. Hu Jiangbing. The committee is chaired by Mr. Wu Xiaodong. The strategic development committee holds meetings in due course every year.

The role and main duties of the strategic development committee include studying and advising on the Company's mid to long-term strategic development and planning; studying and advising on the material investment, financing proposal, significant use of capital and project of asset operation subject to approval of the Board pursuant to the Articles of Association; studying and advising on any other material events which have influence on the development of the Company; and checking the implementation of the above matters.

The strategic development committee convened meetings and held discussion in accordance with the proposal of management of the Company and submitted discussion results for consideration of the Board and meanwhile, reported the results to the management of the Company. During the Year, the strategic development committee convened one meeting to review the management objective of ESG 2022.

During the Year, attendance at audit committee meetings, nomination committee meetings, remuneration and appraisal committee meetings and strategic development committee meetings of the Board are set out as follows:

Name of Directors	Audit Committee Meeting Attended/ Eligible to Attend	Nomination Committee Meeting Attended/ Eligible to Attend	Remuneration and Appraisal Committee Meeting Attended/ Eligible to Attend	Strategic Development Committee Meeting Attended/ Eligible to Attend
Executive Directors				
Ms. Li Tao (Chairman)	–	4/4	–	
Mr. Wu Xiaodong	–	–	2/2	–
Mr. Hu Jiangbing	–	–	–	1/1
Mr. Zhu Rui	–	4/4	–	–
Mr. Jin Tao	–	–	2/2	–
Mr. Chen Wei[1]	–	–	–	–
Mr. Li Jianyong[2]	–	–	–	1/1
Independent Non-executive Directors				
Ms. Fu Wenjie	3/3	4/4	2/2	1/1
Mr. Zhong Qishui	3/3	4/4	2/2	1/1
Mr. Xue Shujin[1]	1/1	2/2	1/1	–
Mr. Xiao Xiaozhou[2]	2/2	2/2	1/1	1/1

1 Appointed on 6 September 2022

2 Resigned on 6 September 2022

(xi) Auditor's Remuneration

The auditor engaged by the Company is nominated by the Board and is approved by Shareholders in the general meeting. Apart from annual audit, the auditor of the Company has also reviewed the interim reports of the Company. Its remuneration was determined by the Board as authorized by the general meeting. During the Year, the remuneration paid by the Company to the auditor totaled RMB798,000. On 30 June 2022, Da Hua Certified Public Accountants was re-appointed as the auditor of the Company, and is eligible for re-appointment at the latest annual general meeting.

MONITORING MECHANISM

Supervisory Committee

The Supervisory Committee was established in accordance with the relevant PRC law. It independently performs its supervisory duty under the law to protect against infringement of lawful rights of Shareholders, the Company and its staff. Also, it reviews the financial position and the financial information of the Company pursuant to the Articles of Association, monitors the decisions made by the Board and senior management for operation and management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations.

The Supervisory Committee comprised three supervisors, including two Shareholder's representative supervisors and one supervisor acting as staff representative. On 12 November 2021, the 2021 first extraordinary general meeting was held to, among other matters, appoint Ms. Wang Cheng and re-elect Mr. Xiong Ting as the Supervisors of the Company. The Company held a labor congress on 27 July 2017. At the labor congress, Mr. Liu Jun was democratically elected by the staff of the Company as a staff representative Supervisor of the Supervisory Committee of the Company to take the place of Ms. Dai Xiaoyi. The Supervisory Committee of the Company also held a meeting on 12 November 2021 to elect Ms. Wang Cheng as the chairman of the Supervisory Committee. On 10 November 2022, Mr. Xiong Ting resigned as a supervisor of the Company. On 9 December 2022, the 2022 second extraordinary general meeting of the Company was held to appoint Mr. Gao Bo as the Supervisor of the Company. The current members of Supervisory Committee are Ms. Wang Cheng (Chairman), Mr. Gao Bo and Mr. Liu Jun.

During the Year, the Supervisory Committee convened three meetings. All Supervisors have attended all the Board meetings and performed their monitoring obligations on behalf of Shareholders as to whether the financial activities of the Company, the performance of duties of Directors and senior management and the decision-making procedures of the Board of the Company are in compliance with the laws and regulations.

The Supervisors had performed their statutory duties impartially.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

The Board is responsible for the establishment and maintenance of the Company's risk management and internal control systems for reviewing relevant financial, operating and supervisory control procedures to protect Shareholders' interests and the Group's assets. The management is authorized by the Board to adopt such internal control system. For the Year, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal control system includes a management framework with clearly defined duties for the purposes of assisting the Company in reaching various business targets and ensuring that assets of the Company will not be defalcated or disposed of; ensuring that the Company's accounting records provide reliable financial data for internal use or public disclosure; and ensuring compliance with related legislations and requirements.

The Company set up an internal audit department in October 2003 to inspect, monitor and assess the disclosure of financial information, operations and internal control activities of the Company and its associates on a regular basis and when necessary, based on different potential risks and the importance of internal control systems for different businesses and workflows, so as to ensure the transparency of information disclosure, operating efficiency and effectiveness of the corporate monitoring mechanism of the Company. The external auditors are entitled to have access to all information of the Company and to make enquiries to relevant persons in performing their duties. The manager of the internal audit department reports the relevant outcomes and its opinions to the management of the Company for consideration. Upon receipt and consideration of the reports from the management, the audit committee makes recommendation and reports to the Board on a regular basis.

The Company formulated the Internal Control Manual which summarizes and clarifies the principle, objectives, content, methods and obligations of the internal control system, reviews the effectiveness and appropriateness of the systems in the Manual on an annual basis. This will facilitate the Company's continuing inspection and assessment on implementation of the existing systems and the effectiveness of internal controls. In order to further provide effective risk management, the Company specified the control objectives, major risks and the composition of the control matrix of 25 internal control elements, including the Company's organizational structure, development strategy, asset management, capital activities, risk assessment, procurement business, sales business and contract management, according to its features in operation and development. The Board revised and improved the rules and regulations involving its important powers and functions, delegation of authority to the management and corporate governance, and formulated the six terms of reference for the Board, the Rules of Procedure for the General Meeting and the rules of procedure for Board meetings. The Company established a risk management system to identify risks associated with strategy, market, finance, law and operation, to follow up on identified risks and formulate countermeasures, and to implement quarterly monitoring of major risks. The Company also set up a risk management committee chaired by the general manager and comprising the heads of the companies in charge of risk management and the head of functional management departments, which specified the duties and authorities of the personnel and clarified the major responsible units or departments for the working procedures in relation to comprehensive risk management, to strengthen the control in all aspects and comply with the procedures under the Listing Rules. The risk management committee is required to report on the risk management work to the management, who will submit a report to the audit committee and the Board for reviewing the risk management system of the Company.

The Board conducted a review to examine whether the risk management and internal control systems of the Company and its subsidiaries are effective and adequate. Subjects of review included the supervision of the Company's finance, operation, compliance and risk management. The Board also reviewed risk management, accounting and training of internal audit staff in full and ensured the business quality and risk assessment awareness of the staff and that sufficient budget was provided.

To further implement internal control more efficiently, the Board had confirmed the following major procedures:

— The Company has a framework with well-defined authority and duties with a hierarchical chain of supervision. The heads of all the departments participate in the formulation of strategic plans. Entrepreneurial strategies for the coming three years were formulated for achievement of annual operation plan and annual business and financial targets. Strategic plans and business plans for the year are the basis for annual budgets, and according to the budgets, the Company had confirmed and allocated resources in view of the priorities of different business opportunities. The three year strategic plans are approved by the Board (subject to yearly review), annual business plans and annual budgets are also to be approved by the Board each year.

— The Company has a comprehensive account management system providing the management with an index for assessing financial and business performance as well as notifiable and discloseable financial information. In case discrepancy occurs in budgets, analysis and explanation will be made and appropriate action will be taken to rectify the problems as and when necessary.

— The Company has set up systems and procedures for confirmation, assessment, handling and controlling of risks including risks in respect of law, credit, market, operation, environment, acts and risks which may affect the Company's development.

The internal audit department will carry out independent review of confirmed risks and supervision so as to reasonably guarantee the management and audit committee that the risks are satisfactorily handled and control is fully effected.

The Company has formulated the Confidentiality Management System for all employees in the Company to handle the disclosure of the work secrets and business secrets and trading of securities. The employees shall comply with the relevant policy and sign the Insider Information Confidentiality Agreement if they are aware of any work secrets and business secrets or insider information of the Company. The Company has announced such policy on the internal website of the Company and notified such matter to all employees in the Company.

CHIEF FINANCIAL OFFICER

The chief financial officer is in charge of the Company's financial operations and is responsible to the general manager. The chief financial officer is responsible for supervising the financial and internal control reporting issue of the Company and its subsidiaries so as to confirm that the Company is in compliance with the Listing Rules in relation to the requirements of financial reports and other relevant accounting regulations. The chief financial officer will also review previous disclosures and ensure the compliance of financial information.

The chief financial officer is responsible for preparing financial statements in accordance with the PRC accounting principles and to ensure compliance with disclosure requirements as stipulated by the China Securities Regulatory Commission and the Stock Exchange. The chief financial officer is also responsible for arranging and preparing the Company's annual budget scheme and the annual final accounting proposal, as well as monitoring the implementation of the Company's annual financial and operating plans. In addition, the chief financial officer shall work with and give recommendation to the Board in establishing relevant internal control systems.

REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration for Directors, Supervisors and top five persons in respect of remuneration are set out in note XI(V)8 to the financial statements of this annual report. For the year ended 31 December 2022, the scope of remuneration for the senior management of the Company is set out below:

Scope of remuneration (RMB'000)	Number of members of senior management
0-1,000	5

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for ensuring that the financial statements for each financial year are prepared to give a true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the relevant laws and regulations and disclosure provisions of the Listing Rules.

In preparing the financial statements of the Group for the Year, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards and the financial statements have been prepared on a basis that the Company will be able to continue as a going concern.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RELATIONS WITH SHAREHOLDERS, INVESTORS AND OTHER INTERESTED PARTIES

The Company is committed to ensuring that all Shareholders, especially the minority Shareholders, can enjoy equal status and fully exercise their rights.

The Company attaches great importance to the rights and interests of investors and has established and continuously improved its investor relations management system to clearly define its responsibilities in managing investor relations. We ensure that investors receive effective, balanced, and timely information about the Company based on proper and sufficient disclosure practices, to enhance mutual understanding and recognition between investors and the Company, thereby improving our corporate governance standards and overall corporate value. During the Year, the Company communicated with investors through various channels such as shareholders' general meetings, results presentation, annual and interim reports, transaction announcements, responding actively to inquiries from the China Securities Regulatory Commission and the Hong Kong Stock Exchange, soliciting consultations from Shareholders and fund managers, as well as email communication. Information disclosures were made as appropriate and a fair and transparent communication platform for the investors was provided to improve the transparency of the Company.

After review, the Board of the Company believes that the current shareholder communication policy has provided an effective channel for communication and full expression of opinions for Shareholders and potential investors, and that the Company has complied with the above measures and policies during the Year, and the Board is of the view that such measures and policies are effective.

For data on the Group's investor relations management, please refer to page 18 of the Environmental, Social and Governance Report of the Company for the Year.

DIVIDEND POLICY

The Company is allowed to distribute dividends pursuant to the Articles of Association and the Administrative Measures of Dividends Distribution of the Company. The Company may distribute profit in the form of cash, shares, or by the combination of cash and shares, and shall adopt cash distribution as the prioritised mean to distribute profit provided that the conditions for cash distribution are satisfied. Subject to the fulfilment of the conditions for declaring cash dividend, in addition to propose a cash dividend proposal, the Board can propose and implement a script dividend proposal if it considers the scale of the share capital and shareholding structure of the Company are reasonable.

Subject to compliance with the principle of profit distribution, and provided that normal operation and long term development of the Company is guaranteed, if the conditions for declaring cash dividends are fulfilled, the Company shall, in principle, declare cash dividends once a year. The Board may also propose to the Company to make interim cash dividends based on the Company's profitability and capital needs.

In formulating a dividend plan, the Board will consider factors including but not limited to: the actual and expected financial results of the Group; the retained earnings and distributable reserves of the Group; the debt-to-equity ratio and return on equity of the Group, and the financial restrictions of the Group; the overall economic situation, the business cycle of the Group's business, and other internal or external factors that may affect the Company's business or financial performance and position, etc. In principle, the dividend pay-out ratio of the Company shall not be less than 30% of the net profit for the year, subject to a moderate decrease of 10 percentage points if there is an urgent need for cash flow guarantee due to priority business development, but not less than 20%.

For the purposes of determining the dividend payable by the Company, the Company's statutory surplus reserve fund and the Company's public welfare fund will not form part of the distributable profit of the Company. The statutory surplus reserve fund of the Company can only be used for making up any losses of the Company by being transformed into share capital of the Company. The distributable profit is based on the net profit attributable to the owner of the parent company in the current interim financial statements audited by the accounting firm or the net profit in the parent company's statement, whichever is higher, after deducting the unrecovered losses of the previous year and the balance of statutory provident fund after allocation.

The profit distribution plan shall be proposed by the Board and finally submitted to the shareholders of the Company for consideration and approval at the shareholders' general meeting. The Company shall actively communicate with shareholders (especially minority shareholders) through various channels to listen to opinions and demands of minority shareholders.

Under the Articles of Association, the cash dividends of H Shares are announced in RMB and will be distributed in Hong Kong dollars to the holders of H Shares, the exchange rate being the average closing exchange rate of designated bank in the previous week prior to distribution. Where the foreign reserve is not sufficient to meet the dividends to be distributed, the Company will make currency exchange in RMB at designated bank to distribute dividends.

For ordinary Shareholders, including holder of Domestic Shares, the dividends of the Company will be distributed in RMB. For holders of H Shares, the dividends of the Company will be distributed in Hong Kong dollars in accordance with the regulations of the State Administration of Foreign Exchanges (SAFE) of the PRC.

CHANGES IN CONSTITUTION

Details of the amendments to the Articles of Association for the Year are as follows:

On 30 June 2022, a special resolution in respect of the amendments to the Articles of Association was passed at the 2021 Annual General Meeting of the Company. Details of the amendments to the Articles of Association are set out in the announcement of the Company dated 29 April 2022, the circular dated 30 May 2022, and the announcement dated 30 June 2022.

COMPANY SECRETARY

The Company engages an external service provider company secretarial services and Mr. Shum Shing Kei is appointed as the Company Secretary. The primary contact person in the Company for Mr. Shum in relation to company secretarial matters is Mr.Wu Xiaodong, Executive Director of the Company. The Company Secretary is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training and has complied with the requirements in Rule 3.29.

GENERAL MEETING

The general meeting, as the highest authority of the Company, exercises its rights under the law to make decisions on significant events of the Company. The Company establishes and maintains various communication channels with shareholders by way of publication of annual reports, interim reports and announcements. The relevant reports and announcements are also published on the Company's website. Each year, the annual general meeting or extraordinary general meeting (if applicable) serves as a direct communication channel between the Board and the Shareholders. All Directors understand that the general meetings serve as an effective platform for Shareholders and provide a major venue for direct communication among Directors, Supervisors and other senior management and Shareholders and exchange of opinions with Directors, who shall report to Shareholders with regard to the Group's operations and respond to their enquiries to secure effective communications with Shareholders.

Accordingly, the Company had attached much importance to the general meetings. In addition to a 20 Hong Kong working days' notice (in the case of an annual general meeting) and a 15 or 10 Hong Kong working days' notice (whichever is earlier) (in the case of an extraordinary general meeting) before the holding of the general meeting, the Company requires that all Directors and senior management shall use their best endeavors to attend the general meetings. Also, all Shareholders are encouraged to attend the general meetings, at which they can make enquiries about the Company's operation status or financial data, Shareholders are welcome to express their views therein. Results of polls will be published on the websites of the Stock Exchange and the Company in due course.

In 2022, the Company convened one annual general meeting and two extraordinary general meetings.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Under the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one tenth (1/10) of the paid-up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for Shareholders to convene and put forward proposals at an EGM are stated as follows:

(I) Any one or more Shareholders holding 3% or more of the shares which carries the right of voting at such proposed meeting may require the Board to convene an extraordinary general meeting or a class meeting of Shareholders through signing one or copies of written request in the same format which contain the resolutions to be proposed at such meeting. The Board shall convene an extraordinary general meeting or a class meeting of Shareholders as soon as possible after receiving such written request. The aforesaid number of shares held shall be based on the number of shares held on the date of written request.

(II) Where the Board fails to issue a notice of meeting within 30 days after receiving the aforesaid written request, the Shareholder(s) who made such request may convene a meeting within four months after the Board receiving such request, in the same manner, as nearly as possible, as that in which the general meetings are convened by the Board.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to cdc@cdc.com.cn or send their enquiries to the following address:

No. 18, Xinhang Road,
The West Park of Hi-tech Development Zone, Chengdu,
Sichuan Province, The PRC

REPORT OF THE SUPERVISORY COMMITTEE

To Shareholders,

During the Year, all members of the Supervisory Committee of the Company had diligently exercised the supervisory functions of the Supervisory Committee in accordance with the relevant provisions of various laws and regulations like Company Law, Listing Rules and Articles of Association by attending all Board meetings and general meetings convened by the Company. Some members attended general manager's meetings and decision-making meetings of the Company.

In 2022, the Supervisory Committee strengthened the supervision over legality and compliance of work of the Board and operational decisions of the management as well as execution of resolutions approved by general meetings by the Board. With surveillance over the Company's operation and implementation of internal compliance system as well as the duty performance of the Company's Directors and senior management, the Supervisory Committee provided opinions and recommendations. As for the financial position and annual reports of the Company, it listened carefully to financial manager's report with regard to the financial position and operating results of the Company and carried out diligent reviews and analysis.

The Supervisory Committee would like to render its independent opinion as follows:

I OPERATION OF THE COMPANY IN COMPLIANCE WITH THE LAW

The Supervisory Committee is of the opinion that during 2022, the Company operated in compliance with the Company Law, the Listing Rules, the Articles of Association and other applicable laws and regulations, and established and continuously improved the relevant internal control systems. The Company's decision-making procedure was legitimate and all the resolutions passed at the general meetings were implemented properly.

II DISCHARGE OF DUTIES BY DIRECTORS, MANAGERS AND OTHER SENIOR MANAGEMENT

The Supervisory Committee was of the opinion that the Directors, managers and other senior management of the Company had performed their duties diligently, pragmatically and faithfully and there was no abuse of rights, violation of laws or regulations or Articles of Association and no acts detrimental to the interests of Shareholders, the Company and the Company's staff members were found.

III WORK REPORT OF THE BOARD

The Supervisory Committee had a detailed review of the work report of the Board submitted by the Board for consideration at the annual general meeting for 2022 and considered that the report had objectively and thoroughly reflected various work done by the Company during the Year.

IV FINANCIAL REPORT

After detailed examination of the financial system and the annual financial report of the Company, the Supervisory Committee considers that the financial report truly and fairly reflected the financial and assets position and operation of the Company.

V OPINIONS ON MANAGEMENT IN AUDITOR'S REPORT

The Supervisory Committee considers that the Company shall make formal study on the opinions on management raised by auditors, and work out practical and feasible measures and solutions for implementation as soon as possible.

VI LITIGATIONS

In 2022, the Company had no other material litigations.

In 2023, the Supervisory Committee will continue to exercise its function in supervising the decision-making, finance, Directors and senior management of the Company, optimize its deployment, implement specific surveillance tasks and fulfil its duties as always in accordance with the Company Law, the Articles of Association and relevant provisions of the Listing Rules to realize the development and improve the operating efficiency of the Company for the protection of the interest of all Shareholders.

Supervisory Committee
Wang Cheng
Chairman

23 March 2023

MOORE 大华国际 | 大華會計師事務所

DHSZ [2023] No.000444

To the Shareholders of Chengdu SIWI Science and Technology Company Limited:

I. AUDIT OPINION

We have audited the accompanying financial statements of Chengdu SIWI Science and Technology Company Limited (the "Company"), which comprise the consolidated and parent company balance sheets as of 31 December 2022, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. BASIS FOR AUDIT OPINION

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

III. KEY AUDIT MATTERS

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

We have identified the following as key audit matters in the audit report.

(I) Impairment of accounts receivable

(II) Net realizable value of inventories

(I) Impairment of accounts receivable

1. Key audit matters

Please refer to section IV (XII) and section VI Note 3 of the Notes to the Financial Statements for details.

As of 31 December 2022, the book value of accounts receivable amounted to 112,293,846.06 yuan, with provision for bad debts of 33,363,605.57 yuan, and the carrying value amounted to 78,930,240.49 yuan.

For accounts receivable with impairment tested on an individual basis, if there is objective evidence indicating impairment loss, the management of Chengdu SIWI Science and Technology Company Limited(the "Management") shall estimate the present value of future cash flows and determine provision for bad debts to be accrued based on a comprehensive consideration of debtors' industry condition, management situation, financial status, lawsuits, repayment records, the value of collaterals and other factors; for accounts receivable with impairment tested on a collective basis, the Management classifies portfolios of accounts receivable based on ages, related Party relationship, and estimates present value of future cash flows and determines provision for bad debts to be accrued based on the historical loss rate of portfolios with similar credit risk features after making adjustments in combination with actual situation.

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

2. Responsive audit procedures

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

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

(2) We reviewed the accounts receivable with provision for bad debts made in previous periods for their subsequent write-off or reversal, and assessed the accuracy of historical estimations made by the Management;

(3) We reviewed the consideration of the Management on credit risk assessment for the receivables and objective evidence, and assessed whether the credit risk characteristics of each receivable had been sufficiently identified by the Management;

(4) For accounts receivable with impairment test performed on an individual basis, we obtained the Management's estimations on the present value of future cash flows, assessed the reasonableness of key assumptions and the accuracy of data adopted in the estimates, and checked them with the external evidence we obtained in the course of audit;

(5) For accounts receivable with impairment test performed on a collective basis, we assessed the reasonableness of portfolio classification on the basis of credit risk features; we assessed the reasonableness of the impairment test method (including the proportion of provision for bad debts in each portfolio determined based on the historical loss rate and relevant observable data that can reflect current situation, etc.); we tested the accuracy and integrity of data (including ages of accounts receivable, etc.) used by the Management and whether the calculation of the provision for bad debts was accurate;

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

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

(II) Net realizable value of inventories

1. Key audit matters

Please refer to section IV (XV) and section VI Note 7 of the Notes to the Financial Statements for details.

As of 31 December 2022, the book value of inventories amounted to 109,049,872.76 yuan, with provision for bad debts of 14,419,239.00 yuan, and the carrying value amounted to 94,630,633.76 yuan.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, with provisions for inventory write-down made on the excess of its cost over the net realizable value on a collective basis/on an individual basis. Based on the Management's consideration over purposes that the inventories were held for, the estimated selling price is determined based on historical selling price, actual selling price, contractual selling price, market price of identical or similar products, future market trend, etc., and the net realizable value of these inventories is determined based on the amount of the estimated selling price less the cost to be incurred upon completion, estimated selling expenses and relevant taxes and surcharges.

As the amount of inventories is significant and determination of net realizable value involves significant judgment of the Management, we have identified net realizable value of inventories as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for net realizable value of inventories are as follows:

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

(2) We reviewed the net realizable value estimated by the Management in previous years and the actual operating results, and assessed the accuracy of the Management's historical estimates;

(3) We reviewed the estimation on selling price made by the Management by sampling method and compared the estimated selling price with historical data, subsequent situation, market information, etc.; For the inventory sold after the period, the estimated selling price is compared with the actual sales price; for the inventory that has not been sold after the period, the information of the selling price of the public market is independently obtained and compared with the estimated sales price;

(4) We assessed the reasonableness of estimation on the cost to be incurred upon completion, selling expenses, and relevant taxes and surcharges made by the Management;

(5) We tested whether the calculation of the net realizable value of inventories made by the Management was accurate;

(6) We checked whether there existed situations such as inventories with long stock age and obsolete model, the decline in production, fluctuation of production cost or selling price, change in technology or market needs, etc. in combination with stocktaking, and assessed whether the net realizable value of inventories was reasonably estimated by the Management;

(7) We checked whether information related to net realizable value of inventories had been presented appropriately in the financial statements.

Based on the audit work performed, we believe that the assumptions and methods adopted by management in the impairment of accounts receivable and the net realizable value of inventories are acceptable, that the overall management assessment of the impairment of receivables and the net realizable value of inventories is acceptable, and that management's judgments and estimates of the impairment of receivables and the net realizable value of inventories are reasonable.

IV. OTHER INFORMATION

The Management is responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be available after the audit report date.

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

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

Based on the work we have done, if we determine that there are material misstatements in other information, we should report that fact. In that regard, we have nothing to report on.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

We exercise professional judgment and maintain professional sceptics throughout the audit performed in accordance with China Standards on Auditing. We also:

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

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal controls.

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

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

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

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company audit. We remain sole responsibility for our audit opinion.

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

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

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

Da Hua Certified Public Accountants LLP

Chinese Certified Public Accountant (Engagement Partner) **Tang Rongzhou**

Chinese Certified Public Accountant **Xu Zhonglin**

Beijing · China
Dated of report: 24 March 2023

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

Chengdu SIWI Science and Technology Company Limited (Amounts in Renminbi, unless otherwise stated)

Assets	Section VI	**Closing balance**	Opening balance
Current Assets:			
Cash and bank balance	Note 1	**485,368,181.46**	478,366,924.31
Financial assets held for trading			
Derivative financial asset			
Notes receivable	Note 2		1,310,722.32
Account receivable	Note 3	**78,930,240.49**	62,983,956.72
Receivable financing	Note 4	**76,003,141.78**	80,904,604.71
Advances paid	Note 5	**7,359,411.26**	2,977,144.94
Other receivables	Note 6	**3,819,556.49**	35,401,837.91
Inventories	Note 7	**94,630,633.76**	47,603,420.50
Contract Assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	Note 8	**5,812,246.89**	4,367,007.54
Total Current Assets		**751,923,412.13**	713,915,618.95
Non-current Assets:			
Debt investments	Note 9		
Other debt investments			
Long-term accounts receivable			
Long-term equity investments	Note 10	**37,705,739.10**	45,754,237.81
Other equity instrument investments	Note 11	**5,627,988.00**	5,607,816.00
Other non-current financial assets			
Investment Property	Note 12	**70,974,819.27**	67,436,327.72
Fixed assets	Note 13	**116,410,967.30**	137,317,016.07
Construction in process	Note 14	**813,523.02**	775,646.90
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	Note 15	**31,643,528.41**	32,566,614.61
Capitalised R&D expenses			
Goodwill			
Long-term deferred expenses	Note 16	**2,641,830.27**	1,114,542.68
Deferred income tax assets	Note 17		
Other non-current assets	Note 18	**253,600.00**	66,287.54
Total Non-current Assets		**266,071,995.37**	290,638,489.33
Total Assets		**1,017,995,407.50**	1,004,554,108.28

(The notes to the financial statements attached hereto form an integral part of the consolidated financial statements)

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

CONSOLIDATED
BALANCE SHEET

As at 31 December 2022

Chengdu SIWI Science and Technology Company Limited

(Amounts in Renminbi, unless otherwise stated)

LIABILITIES AND EQUITY	Section VI	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	Note 19	**32,270,673.28**	21,421,997.00
Advances received	Note 20	**1,156,921.07**	707,219.17
Contract liabilities	Note 21	**3,833,449.99**	3,897,101.34
Employee benefits payable	Note 22	**19,475,905.30**	19,022,162.23
Taxes and rates payable	Note 23	**3,540,804.90**	1,486,978.23
Other payables	Note 24	**22,951,708.02**	22,859,783.93
Liabilities held for sale			
Non-current liabilities due within one year	Note 25	**445,269.63**	433,080.49
Other current liabilities	Note 26	**249,893.18**	252,153.05
Total Current Liabilities		**83,924,625.37**	70,080,475.44
Non-current Liabilities:			
Long-term borrowings	Note 27	**4,377,122.09**	4,690,379.98
Bonds payable			
Including: Preferred shares perpetual bonds			
Lease Liabilities			
Long-term accounts payable			
Long-term employee benefits payable	Note 28	**38,339,412.23**	40,582,354.50
Provisions			
Deferred income	Note 29	**47,773,766.80**	50,395,466.20
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities		**90,490,301.12**	95,668,200.68
Total Liabilities		**174,414,926.49**	165,748,676.12
Owners' Equity:			
Share capital	Note 30	**400,000,000.00**	400,000,000.00
Other equity instruments			
Including: Preferred shares perpetual bonds			
Capital reserves	Note 31	**641,928,122.08**	638,760,122.08
Less: Treasury stock			
Other Comprehensive Income	Note 32	**4,916,795.69**	4,896,623.69
Special reserves			
Surplus reserves	Note 33	**8,726,923.61**	8,726,923.61
Retained earnings	Note 34	**–299,724,682.19**	–297,500,420.97
Total equity attributable to the parent company		**755,847,159.19**	754,883,248.41
Non-controlling interest		**87,733,321.82**	83,922,183.75
Total Owners' Equity		**843,580,481.01**	838,805,432.16
Total Liabilities and Owners' Equity		**1,017,995,407.50**	1,004,554,108.28

(The notes to the financial statements attached hereto form an integral part of the consolidated financial statements)

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

PARENT
COMPANY BALANCE SHEET

As at 31 December 2022

Chengdu SIWI Science and Technology Company Limited (Amounts in Renminbi, unless otherwise stated)

Assets	Section XV	Closing balance	Opening balance
Current Assets:			
Cash and bank balance		**376,646,000.25**	350,847,202.83
Financial assets held for trading			
Derivative financial asset			
Notes receivable			534,561.85
Account receivable	Note 1	**61,648,501.33**	70,925,979.17
Receivable financing		**23,725,758.08**	42,847,306.31
Advances paid		**1,280,074.71**	1,420,197.08
Other receivables	Note 2	**3,703,483.29**	38,420,398.83
Inventories		**72,291,083.89**	24,446,623.41
Contract Assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		**5,812,246.89**	4,363,404.58
Total Current Assets		**545,107,148.44**	533,805,674.06
Non-current Assets:			
Debt investments			
Other debt investments			
Long-term accounts receivable			
Long-term equity investments	Note 3	**141,225,825.60**	221,977,098.26
Other equity instrument investments		**5,627,988.00**	5,607,816.00
Other non-current financial assets			
Investment Property		**51,753,403.87**	47,029,825.01
Fixed assets		**42,785,740.63**	53,563,681.60
Construction in process		**775,646.90**	775,646.90
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		**19,121,752.92**	19,723,753.68
Capitalised R&D expenses			
Goodwill			
Long-term deferred expenses		**1,831,253.71**	
Deferred income tax assets			
Other non-current assets		**223,600.00**	50,842.00
Total Non-current Assets		**263,345,211.63**	348,728,663.45
Total Assets		**808,452,360.07**	882,534,337.51

(The notes to the financial statements attached hereto form an integral part of the consolidated financial statements)

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

PARENT
COMPANY BALANCE SHEET

As at 31 December 2022

Chengdu SIWI Science and Technology Company Limited (Amounts in Renminbi, unless otherwise stated)

Liabilities and equity	Section XV	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		**25,247,182.99**	12,239,509.57
Advances received		**1,008,033.45**	590,640.43
Contract liabilities		**2,328,445.22**	2,201,883.93
Employee benefits payable		**17,612,138.71**	12,557,765.66
Taxes and rates payable		**755,496.67**	161,155.31
Other payables		**26,440,133.28**	26,804,745.46
Liabilities held for sale			
Non-current liabilities due within one year		**445,269.63**	433,080.49
Other current liabilities		**54,242.56**	34,375.29
Total Current Liabilities		**73,890,942.51**	55,023,156.14
Non-current Liabilities:			
Long-term borrowings		**4,377,122.09**	4,690,379.98
Bonds payable			
Including: Preferred shares perpetual bonds			
Lease Liabilities			
Long-term accounts payable			
Long-term employee benefits payable		**38,339,412.23**	40,582,354.50
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities		**42,716,534.32**	45,272,734.48
Total Liabilities		**116,607,476.83**	100,295,890.62
Owners' Equity:			
Share capital		**400,000,000.00**	400,000,000.00
Other equity instruments			
Including: Preferred shares perpetual bonds			
Capital reserves		**571,115,356.14**	648,262,469.64
Less: Treasury stock			
Other Comprehensive Income		**4,916,795.69**	4,896,623.69
Special reserves			
Surplus reserves		**8,726,923.61**	8,726,923.61
Retained earnings		**–292,914,192.20**	–279,647,570.05
Total Owners' Equity		**691,844,883.24**	782,238,446.89
Total Liabilities and Owners' Equity		**808,452,360.07**	882,534,337.51

(The notes to the financial statements attached hereto form an integral part of the consolidated financial statements)

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

Chengdu SIWI Science and Technology Company Limited

(Amounts in Renminbi, unless otherwise stated)

Items	Section VI	Current period cumulative	Preceding period comparative
I. **Total operating Revenue**	Note 35	**304,013,607.91**	300,424,372.33
Less: Cost of sales	Note 35	**233,069,296.30**	267,850,501.90
Tax and surcharge	Note 36	**2,696,958.25**	2,032,677.84
Marketing expenses	Note 37	**5,553,658.18**	5,025,175.93
Administration expenses	Note 38	**65,343,225.31**	85,574,387.12
R&D expenses	Note 39	**10,986,677.21**	12,278,143.32
Financial costs	Note 40	**–21,601,080.28**	–9,776,284.73
Including: Interest expenses		**73,722.80**	87,110.41
Interest income		**21,488,986.12**	9,396,639.26
Add: Other income	Note 41	**3,078,519.15**	8,263,425.78
Investment income (or less: loss)	Note 42	**–7,989,495.61**	1,769,373.55
Including: Investments income from joint ventures and associates		**–8,048,498.71**	–14,422,498.48
Gains from derecognition of financial assets at amortized cost			
Net open hedge income (or less: loss)			
Gain on changes in fair value (or less: loss)			
Credit impairment loss (or less: loss)	Note 43	**2,639,185.68**	–1,850,232.89
Assets impairment loss (or less: loss)	Note 44	**–5,171,502.41**	–4,540,904.93
Gains on assets disposal (or less: loss)	Note 45		449,163.30
II. **Operating Profit (or less: loss)**		**521,579.75**	–58,469,404.24
Add: Non-operating revenue	Note 46	**1,009,163.16**	50,905.53
Less: Non-operating expenditures	Note 47	**45,185.60**	569,999.60
III. **Profit before tax (or less: loss)**		**1,485,557.31**	–58,988,498.31
Less: Income tax	Note 48	**–101,319.54**	–1,358,356.64
IV. **Net profit (or less: net loss)**		**1,586,876.85**	–57,630,141.67
Including: Net profit realized by the merged party under common control before the merger			
(I) Categorized by continuity of operations			
Net profit from continuing operations (or less: loss)		**1,586,876.85**	–57,630,141.67
Net profit from discontinued operations (or less: loss)			
(II) Categorized by the portion of equity ownership			
Net profit attributable to owners of parent company (or less: loss)		**–2,224,261.22**	–52,268,290.85
Net profit attributed to non-controlling shareholders (or less: loss)		**3,811,138.07**	–5,361,850.82

CONSOLIDATED
INCOME STATEMENT

For the year ended 31 December 2022

Items		Section VI	Current period cumulative	Preceding period comparative
V.	**Other comprehensive income after tax**		**20,172.00**	1,879,002.40
	Items attributable to the owners of the parent company		**20,172.00**	1,879,002.40
	(I) Not to be reclassified subsequently to profit and loss		**20,172.00**	1,879,002.40
	1. Changes in remeasurement on the net defined benefit plan			
	2. Items under equity method that will not be reclassified to profit and loss			
	3. Changes in fair value of other equity instrument investments		**20,172.00**	1,879,002.40
	4. Changes in fair value of own credit risk			
	5. Others			
	(II) To be reclassified subsequently to profit and loss			
	1. Items under equity method that may be reclassified to profit or loss			
	2. Changes in fair value of other debt investments			
	3. Profit or loss from reclassification of financial assets into other comprehensive income			
	4. Provision for credit impairment of other debt investments			
	5. Cash flow hedging reserve			
	6. Translation reserve			
	7. Investment income generated by a package disposal subsidiary prior to loss of control			
	8. Conversion of other assets into investment real estate measured by fair value models			
	9. Others			
	Items attributable to non-controlling shareholders			
VI.	**Total comprehensive income**		**1,607,048.85**	–55,751,139.27
	Items attributable to the owners of the parent company		**–2,204,089.22**	–50,389,288.45
	Items attributable to non-controlling shareholders		**3,811,138.07**	–5,361,850.82
VII.	**Earning per share (EPS)**			
	(I) Basic earning per share (yuan per share)		**–0.01**	–0.13
	(II) Diluted earning per share (yuan per share)		**–0.01**	–0.13

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

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

PARENT
COMPANY INCOME STATEMENT

For the year ended 31 December 2022

Chengdu SIWI Science and Technology Company Limited

(Amounts in Renminbi, unless otherwise stated)

Items		Section XV	Current period cumulative	Preceding period comparative
I.	**Total operating Revenue**	Note 4	**109,375,897.33**	151,387,238.69
	Less: Cost of sales	Note 4	**75,251,790.47**	128,908,596.98
	Tax and surcharge		**166,621.59**	171,276.48
	Marketing expenses		**2,945,668.04**	1,120,569.85
	Administration expenses		**54,965,637.25**	73,221,021.09
	R&D expenses		**2,077,785.46**	4,063,805.75
	Financial costs		**–19,465,345.47**	–9,186,741.20
	Including: Interest expenses		**73,722.80**	87,110.41
	Interest income		**19,674,106.67**	8,700,188.40
	Add: Other income		**334,034.10**	4,336,230.55
	Investment income (or less: loss)	Note 5	**–7,989,495.61**	3,542,010.26
	Including: Investments income from joint ventures and associates		**–8,048,498.71**	–14,422,498.48
	Gains from derecognition of financial assets at amortized cost			
	Net open hedge income (or less: loss)			
	Gain on changes in fair value (or less: loss)			
	Credit impairment loss (or less: loss)		**2,408,699.34**	–1,096,992.55
	Assets impairment loss (or less: loss)		**–2,113,631.28**	–725,113.40
	Gains on assets disposal (or less: loss)			454,744.58
II.	**Operating Profit (or less: loss)**		**–13,926,653.46**	–40,400,410.82
	Add: Non-operating revenue		**705,000.22**	50,434.37
	Less: Non-operating expenditures		**44,968.91**	364,814.18
III.	**Profit before tax (or less: loss)**		**–13,266,622.15**	–40,714,790.63
	Less: Income tax			–1,358,356.64

PARENT
COMPANY INCOME STATEMENT

For the year ended 31 December 2022

Items		Section XV	Current period cumulative	Preceding period comparative
IV.	**Net profit (or less: net loss)**		**–13,266,622.15**	–39,356,433.99
	(I) Net profit from continuing operations (or less: loss)		**–13,266,622.15**	–39,356,433.99
	(II) Net profit from discontinued operations (or less: loss)			
V.	**Other comprehensive income after tax**		**20,172.00**	1,879,002.40
	(I) Not to be reclassified subsequently to profit and loss		**20,172.00**	1,879,002.40
	1. Changes in remeasurement on the net defined benefit plan			
	2. Items under equity method that will not be reclassified to profit and loss			
	3. Changes in fair value of other equity instrument investments		**20,172.00**	1,879,002.40
	4. Changes in fair value of own credit risk			
	5. Others			
	(II) To be reclassified subsequently to profit and loss			
	1. Items under equity method that may be reclassified to profit or loss			
	2. Changes in fair value of other debt investments			
	3. Profit or loss from reclassification of financial assets into other comprehensive income			
	4. Provision for credit impairment of other debt investments			
	5. Cash flow hedging reserve			
	6. Translation reserve			
	7. Investment income generated by a package disposal subsidiary prior to loss of control			
	8. Conversion of other assets into investment real estate measured by fair value models			
	9. Others			
VI.	**Total comprehensive income**		**–13,246,450.15**	–37,477,431.59
VII.	**Earning per share(EPS)**			
	(I) Basic earning per share (yuan per share)			
	(II) Diluted earning per share (yuan per share)			

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

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

CONSOLIDATED
CASH FLOW STATEMENT

For the year ended 31 December 2022

Chengdu SIWI Science and Technology Company Limited

(Amounts in Renminbi, unless otherwise stated)

Items		Section XV	Current period cumulative	Preceding period comparative
I.	**Cash flows from operating activities:**			
	Cash receipts from sales of goods or rendering of services		**199,372,323.11**	201,784,286.56
	Receipts of tax refund		**3,615.90**	
	Other cash receipts related to operating activities	Note 49	**77,521,964.69**	68,175,742.15
	Subtotal of cash inflows from operating activities		**276,897,903.70**	269,960,028.71
	Cash payment for goods purchased and service received		**174,894,132.27**	124,406,772.26
	Cash paid to and on behalf of employees		**72,870,652.12**	55,188,529.11
	Cash payments for taxes and rates		**8,979,958.82**	3,541,212.91
	Other cash payments related to operating activities	Note 49	**42,811,584.68**	38,343,963.94
	Subtotal of cash outflows from operating activities		**299,556,327.89**	221,480,478.22
	Net cash flows from operating activities		**–22,658,424.19**	48,479,550.49
II.	**Cash flows from investment activities:**			
	Cash receipts from withdrawal of investments		**31,330,150.00**	16,000,000.00
	Cash receipts from investment income		**59,003.10**	
	Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets			930,325.00
	Net cash receipts from the disposal of subsidiaries & other business unites			
	Other cash receipts related to investing activities			
	Subtotal of cash inflows from investing activities		**31,389,153.10**	16,930,325.00
	Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		**1,542,201.34**	939,586.88
	Cash payments for investments			
	Net cash payments for the acquisition of subsidiaries & other business units			
	Other cash payment related to investing activities			
	Subtotal of cash outflows from investing activities		**1,542,201.34**	939,586.88
	Net cash flows from investing activities		**29,846,951.76**	15,990,738.12

CONSOLIDATED
CASH FLOW STATEMENT

For the year ended 31 December 2022

Items		Section XV	Current period cumulative	Preceding period comparative
III.	**Cash flows from financing activities:**			
	Cash receipts from absorbing investments			
	Including: Cash received by subsidiaries from non-controlling shareholders as investments			
	Cash receipts from borrowings			
	Other cash receipts related to financing activities			
	Subtotal of cash inflows from financing activities			
	Cash payments for the repayment of borrowings		**429,250.38**	459,727.45
	Cash payments for distribution of dividends or profits and for interest expenses		**73,722.80**	87,110.41
	Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			
	Other cash payments related to financing activities			
	Subtotal of cash outflows from financing activities		**502,973.18**	546,837.86
	Net cash flows from financing activities		**–502,973.18**	–546,837.86
IV.	**Effect of foreign exchange rate changes on cash & cash equivalents**		**325,812.03**	–93,345.92
V.	**Net increase in cash and cash equivalents**		**7,011,366.42**	63,830,104.83
	Add: Opening balance of cash and cash equivalents		**472,172,323.72**	408,342,218.89
VI.	**Closing balance of cash and cash equivalents**		**479,183,690.14**	472,172,323.72

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

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

PARENT

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2022

Chengdu SIWI Science and Technology Company Limited

(Amounts in Renminbi, unless otherwise stated)

Items		Section XV	Current period cumulative	Preceding period comparative
I.	**Cash flows from operating activities:**			
	Cash receipts from sales of goods or rendering of services		**39,123,882.29**	56,219,821.17
	Receipts of tax refund			
	Other cash receipts related to operating activities		**70,742,299.33**	47,930,084.14
	Subtotal of cash inflows from operating activities		**109,866,181.62**	104,149,905.31
	Cash payment for goods purchased and service received		**29,449,297.18**	57,781,336.32
	Cash paid to and on behalf of employees		**48,361,852.20**	28,528,158.32
	Cash payments for taxes and rates		**585,584.22**	552,952.25
	Other cash payments related to operating activities		**35,209,964.18**	25,582,320.43
	Subtotal of cash outflows from operating activities		**113,606,697.78**	112,444,767.32
	Net cash flows from operating activities		**–3,740,516.16**	–8,294,862.01
II.	**Cash flows from investment activities:**			
	Cash receipts from withdrawal of investments		**31,330,150.00**	16,000,000.00
	Cash receipts from investment income		**59,003.10**	
	Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets			930,000.00
	Net cash receipts from the disposal of subsidiaries & other business unites			
	Other cash receipts related to investing activities			
	Subtotal of cash inflows from investing activities		**31,389,153.10**	16,930,000.00
	Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		**1,346,866.34**	373,775.92
	Cash payments for investments			
	Net cash payments for the acquisition of subsidiaries & other business units			
	Other cash payment related to investing activities			
	Subtotal of cash outflows from investing activities		**1,346,866.34**	373,775.92
	Net cash flows from investing activities		**30,042,286.76**	16,556,224.08

PARENT
COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2022

Items		Section XV	Current period cumulative	Preceding period comparative
III.	**Cash flows from financing activities:**			
	Cash receipts from absorbing investments			
	Cash receipts from borrowings			
	Other cash receipts related to financing activities			
	Subtotal of cash inflows from financing activities			
	Cash payments for the repayment of borrowings		**429,250.38**	459,727.45
	Cash payments for distribution of dividends or profits and for interest expenses		**73,722.80**	87,110.41
	Other cash payments related to financing activities			
	Subtotal of cash outflows from financing activities		**502,973.18**	546,837.86
	Net cash flows from financing activities		**–502,973.18**	–546,837.86
IV.	**Effect of foreign exchange rate changes on cash & cash equivalents**			
V.	**Net increase in cash and cash equivalents**		**25,798,797.42**	7,714,524.21
	Add: Opening balance of cash and cash equivalents		**350,847,202.83**	343,132,678.62
VI.	**Closing balance of cash and cash equivalents**		**376,646,000.25**	350,847,202.83

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Amounts in Renminbi, unless otherwise stated)

Items	Current period cumulative											
	Equity attributable to parent company											
		Other equity instruments										
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earning	Non-controlling	Total equity
I. Balance at the end of period	**400,000,000.00**				**638,760,122.08**		**4,896,623.69**		**8,726,923.61**	**-297,500,420.97**	**83,922,183.75**	**838,805,432.16**
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Business combination under common control												
Others												
II. Balance at the beginning of current year	**400,000,000.00**				**638,760,122.08**		**4,896,623.69**		**8,726,923.61**	**-297,500,420.97**	**83,922,183.75**	**838,805,432.16**
III. Current period increase (or less: decrease)					**3,168,000.00**		**20,172.00**			**-2,224,261.22**	**3,811,138.07**	**4,775,048.85**
(I) Total comprehensive income							**20,172.00**			**-2,224,261.22**	**3,811,138.07**	**1,607,048.85**
(II) Capital contributed or withdrawn by owners					**3,168,000.00**							**3,168,000.00**
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity												
4. Others					**3,168,000.00**							**3,168,000.00**
(III) Profit distribution												
1. Appropriation of surplus reserve												
2. Appropriation of profit to owners												
3. Others												
(IV) Internal carry-over within equity												
1. Transfer of capital reserve to capital												
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	**400,000,000.00**				**641,928,122.08**		**4,916,795.69**		**8,726,923.61**	**-299,724,682.19**	**87,733,321.82**	**843,580,481.01**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Chengdu SIWI Science and Technology Company Limited

(Amounts in Renminbi, unless otherwise stated)

	Preceding period comparative											
	Equity attributable to parent company											
		Other equity instruments										
Items	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earning	Non-controlling interest	Total equity
I. Balance at the end of period	400,000,000.00				638,760,122.08		3,017,621.29		8,726,923.61	-236,378,761.97	89,284,034.57	903,409,939.58
Add: Cumulative changes of accounting policies												
Error correction of prior period										-8,853,368.15		-8,853,368.15
Business combination under common control												
Others												
II. Balance at the beginning of current year	400,000,000.00				638,760,122.08		3,017,621.29		8,726,923.61	-245,232,130.12	89,284,034.57	894,556,571.43
III. Current period increase (or less: decrease)							1,879,002.40			-52,268,290.85	-5,361,850.82	-55,751,139.27
(I) Total comprehensive income							1,879,002.40			-52,268,290.85	-5,361,850.82	-55,751,139.27
(II) Capital contributed or withdrawn by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity												
4. Others												
(III) Profit distribution												
1. Appropriation of surplus reserve												
2. Appropriation of profit to owners												
3. Others												
(IV) Internal carry-over within equity												
1. Transfer of capital reserve to capital												
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	400,000,000.00				638,760,122.08		4,896,623.69		8,726,923.61	-297,500,420.97	83,922,183.75	838,805,432.16

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

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

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Amounts in Renminbi, unless otherwise stated)

Items	Current period cumulative										
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earning	Total equity
I. Balance at the end of period	**400,000,000.00**				**648,262,469.64**		**4,896,623.69**		**8,726,923.61**	**−279,647,570.05**	**782,238,446.89**
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	**400,000,000.00**				**648,262,469.64**		**4,896,623.69**		**8,726,923.61**	**−279,647,570.05**	**782,238,446.89**
III. Current period increase (or less: decrease)					**−77,147,113.50**		**20,172.00**			**−13,266,622.15**	**−90,393,563.65**
(I) Total comprehensive income							20,172.00			−13,266,622.15	−13,246,450.15
(II) Capital contributed or withdrawn by owners					−77,147,113.50						-77,147,113.50
1. Ordinary shares contributed by owners					−77,147,113.50						-77,147,113.50
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	**400,000,000.00**				**571,115,356.14**		**4,916,795.69**		**8,726,923.61**	**−292,914,192.20**	**691,844,883.24**

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

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

PARENT
COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Chengdu SIWI Science and Technology Company Limited

(Amounts in Renminbi, unless otherwise stated)

	Preceding period comparative										
		Other equity instruments									
Items	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earning	Total equity
I. Balance at the end of period	400,000,000.00				648,262,469.64		3,017,621.29		8,726,923.61	-231,437,767.91	828,569,246.63
Add: Cumulative changes of accounting policies											
Error correction of prior period										-8,853,368.15	-8,853,368.15
Others											
II. Balance at the beginning of current year	400,000,000.00				648,262,469.64		3,017,621.29		8,726,923.61	-240,291,136.06	819,715,878.48
III. Current period increase (or less: decrease)							1,879,002.40			-39,356,433.99	-37,477,431.59
(I) Total comprehensive income							1,879,002.40			-39,356,433.99	-37,477,431.59
(II) Capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	400,000,000.00				648,262,469.64		4,896,623.69		8,726,923.61	-279,647,570.05	782,238,446.89

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

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

I. CORPORATE PROFILE

(I) Registered address, organization structure and office address of the company

Chengdu Siwi Science And Technology Company Limited (the "Company") was incorporated and registered with the Chengdu Administration Bureau of Industry and Commerce on 1 October 1994 after its restructuring from Chengdu Cable Plant of the Posts and Telecommunications Ministry of China (now known as "China PUTIAN Corporation"), as independent promoter, under the approval of the relevant department of the State Council. The Company is headquartered in Chengdu, Sichuan Province. The Company currently holds a business license with unified social credit code of 9151010020193968XY, with registered capital of RMB400,000,000. There are a total of 400,000,000 shares in issue with the nominal value of RMB1 each of which: equity interest of China Potevio Company Limited amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. The Company's shares were listed at the Stock Exchange of Hong Kong Limited (the "Stock Exchange") respectively on 13 December 1994.

According to the Reply from China Electronics Technology Group Corporation on Matters Regarding the Transfer of the Shares of Chengdu PUTIAN Telecommunications Cable Company Limited at Nil Consideration (Dian Ke Zi [2021] No. 476) issued by China Electronics Technology Group Corporation Limited ("China Electronics Technology") on 29 October 2021, China Electronics Technology agreed to transfer 240,000,000 shares of the Company held by China Potevio Company Limited to Chengdu Siwi Electronic Co., Ltd. ("Chengdu Siwi Electronic"), a wholly-owned subsidiary of the 29th Research Institute of China Electronics Technology Group Corporation, with 31 December 2020 as the base date. Upon completion of the Equity Transfer, Chengdu Siwi Electronic hold 240,000,000 shares, and the public holders of ordinary shares (H Shares) hold 160,000,000 shares.

According to the decision of the company's 2021 annual general meeting on 30 June 2022, the company was renamed from Chengdu PUTIAN Telecommunications Cable Company Limited to Chengdu SIWI Science and Technology Company Limited.

I. CORPORATE PROFILE (CONTINUED)

(II) Business scope and major operations

The Company is in the manufacturing industry, and its main products and services are permitted items: wire and cable manufacturing; entry-exit quarantine arrangement at borders. (Items subject to approval in accordance with the laws shall commence operation with approval obtained from the relevant authorities. Definitive operating items shall be subject to the approval documents or license documents granted by the relevant authorities.) General items: energy storage technology services; research and development of distribution switchgear and control equipment; research and development of emerging energy technologies; research and development of resource recycling technologies; research and development of online energy monitoring technologies; research and development of wind farms related systems; research and development of electric motors and control systems; manufacturing of new energy generating equipment; research and development of offshore wind power related systems; technical services for solar power generation; manufacturing of generators and generating units; manufacturing of transmission, distribution and control equipment; integration of intelligent control systems; information systems integration services; sale of intelligent transmission, distribution and control equipment; contract energy management; sale of batteries; sale of battery swap facilities for new energy vehicles; sale of photovoltaic equipment and components; sale of electrical accessories of new energy vehicles; wire and cable business; manufacturing of optical fibers; sale of optical fibers; manufacturing of optical cables; sale of optical cables; manufacturing of communications equipment; sale of communications equipment; manufacturing of optical communications equipment; sale of optical communications equipment; manufacturing of equipment for electrical installations; sale of equipment for electrical installations; manufacturing of mechanical and electrical equipment; sale of mechanical and electrical equipment; manufacturing of special equipment for electrical machinery; manufacturing of electronic special materials; manufacturing of specialized equipment (excluding the manufacture of licensed professional equipment); technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; import and export of goods; import and export of technology; leasing of non-residential real estates; house leasing; leasing services (excluding licensed leasing services); property management; parking lot services; business management consultation; entrepreneurial space services.

(Except for items that are subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licenses in accordance with the laws.)

(III) Approval of financial statements

The financial statements were approved and authorized for issue by the Board of Directors dated 24 March 2023.

II. CONSOLIDATION SCOPE

The Company has brought 2 subsidiaries into the consolidation scope in the current period as detailed in VIII. Interest in other entities. Compared with the previous period, the number of entities included in the scope of consolidated financial statements in the current period decreased by 1. It includes:

Subsidiaries	Subsidiary type	Level	Holding proportion (%)	Voting right proportion (%)
Chengdu SEI Optical Fiber Co., Ltd	Holding subsidiary	Second-tier	60	60
Chengdu PUTIAN New Material Co., Ltd	Owned subsidiary	Second-tier	100	100

Note: According to the first extraordinary 2022 special meeting of shareholders held on 27 September 2022, the Company merged its wholly-owned subsidiary Chengdu Zhongling Wireless Communication Cable Co., Ltd during the current period.

III. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis of the financial statements

The Company carried out recognition and measurement based on transactions and events that actually occurred and in accordance with the Accounting Standards for Business Enterprises — Basic Standards issued by the Ministry of Finance, and the specific accounting standards, application guidelines for Accounting Standards for Business Enterprises, interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), on the basis of which, the financial statements are prepared in conjunction with the rules of the "Rules Governing the Preparation of Information Disclosures by Companies Issuing Public Securities No. 15 — General Rules on Financial Reporting" (revised in 2014) issued by China Securities Regulatory Commission.

(II) Going concern

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date. The financial statements have been prepared on the basis of going concern.

(III) Accounting methods and valuation principles

The financial statements have been prepared on an accrual basis. Except for certain financial instruments measured at fair value, the financial statements are measured on a historical cost basis. If an asset is impaired, a corresponding impairment provision is made in accordance with the relevant standards.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(I) Detailed accounting policies and accounting estimates

1. According to the actual business characteristics, the company formulates specific accounting policies and accounting estimates by the relevant accounting standards for business enterprises. See Section IV for details: (X) Financial instruments, (XI) Notes receivable, (XII) Accounts receivables, (XIII) Receivables financing, (XIV) Other receivables, (XV) Inventories, (XIX) Investment property, (XX) Fixed assets, (XXIII) Right-of-use assets, (XXIV) Intangible assets and development cost, (XXVI) Long-term prepayments, (XXXI) Revenue.

2. Based on historical experience and other factors, including reasonable expectations for future events, the company carries out a continuous evaluation of the important accounting estimates and key assumptions adopted. If significant changes occur, the following important accounting estimates and key assumptions may lead to a significant impact on the asset and liability value of the future accounting year:

1. Expected Credit Loss of account receivable and other receivables

The management of the Company estimates impairment provisions for receivables and other receivables based on its judgment of expected credit losses in accounts receivable and other receivables. If any event or change of circumstances occurs that indicates that the Company may not recover the balance in question, an impairment of accounts receivable and other receivables will need to be made using estimates. If the expected figures are different from the original estimates, the difference will affect the book value of accounts receivable, as well as the impairment charges during the estimated changes.

2. Estimation of inventory impairment.

The management of the company has measured the lower of the cost and the net realizable value on the balance sheet day and the calculation of the net realizable value needs to be assumed and estimated. If the management of the Company revise the costs when estimating the selling price or project completed, it will affect the estimation of net realizable value of inventory, the differences of estimation will affect the provision of inventory depreciation.

3. Estimation of impairment of long-term assets

The corporate management mainly evaluates and analyzes from the following aspects to judge whether the long-term assets are impaired: (1) Whether the event affecting the impairment of the asset has already occurred; (2) whether the present value of the cash flows that are expected to be available the assets continue to be used or disposed of is lower than the carrying amount of the assets; and (3) the appropriateness of important assumption to be used in anticipation of the present value of future cash flows.

The assumptions used by the Company to determine impairment, such as changes in the assumptions of profitability, discount rate, and growth rate used in the present value of future cash flows methodology, may have a material impact on the present value used in the impairment test and result in the impairment of the Company's aforesaid long-term assets.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(I) Detailed accounting policies and accounting estimates (Continued)

4. Estimated useful life and the net residual value of fixed assets

The estimated useful life and estimated net residual value of fixed assets are based on the past actual life and the actual net residual value of fixed assets with similar properties and functions. In the process of using fixed assets, the economic environment, technical environment, and other environments may have a greater impact on the useful life and estimated net residual value of fixed assets. If the estimated useful life and net residual value of fixed assets differ from the original estimate, management will make appropriate adjustments.

5. Deferred income tax assets and deferred income tax liabilities

Deferred tax assets and deferred tax liabilities are recognized based on the difference between the tax basis of the assets and liabilities and their carrying amount (temporary differences). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the expected recovery of the asset or the liquidation of the liability, and if the expected applicable tax rate changes due to a changing tax policy, the applicable tax rate for the measured deferred tax assets and deferred tax liabilities will be adjusted in a timely manner.

6. Income tax

In normal business activities, the tax treatment in many transactions and matters are uncertain. A significant decision on the income tax is needed. If the final identification result of these tax matters is different from the amount originally entered the account, the difference will affect the amount of tax payable during the final determination period.

7. The fair value of financial assets

The company determines the fair value of financial instruments that do not have an active market using various valuation techniques including discounted cash flow method. For an available-for-sale financial asset that is legally restricted to the Company's disposal during a specified period, its fair value is based on market quotes and adjusted based on the characteristics of the instrument. At the time of valuation, the Company needs to estimate the credit risk, market volatility and correlation of itself and counterparties, and the changes in these related factors assumptions will affect the fair value of financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(II) Statement of compliance

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

(III) Accounting period

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

(IV) Operating cycle

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

(V) Functional currency

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

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

1. Incorporate multiple transactions into a package of transactions if the terms, conditions, and economic impacts of each transaction in the step-by-step process of the merger of enterprises are in one or more of the following circumstances

(1) These transactions are entered into simultaneously or with consideration for their mutual influence;

(2) These transactions collectively produce a complete business outcome;

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

(4) A transaction is not economic on its own, but it is economic when taken together with other transactions.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

2. Accounting treatment of business combination under common control

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

If there is contingent consideration and the provisions need to be recognized, the capital reserve would be adjusted by the difference between the amount of the provisions and the subsequent settlement amount of contingent consideration, and if the capital reserve is insufficient, the retained earnings are adjusted.

Where a business combination is finally realized through multiple transactions, if it is a package transaction, the transactions are accounted for as a transaction that has gained control. Where it is not a package transaction, the capital reserve is adjusted for the difference between the initial investment cost of the long-term equity investment and the carrying amount of the long-term equity investment before the merger and the sum of the carrying amount of the new consideration for the shares further acquired on the merger date on the date of acquisition of control; if the capital reserve is insufficient, the retained earnings are adjusted. For the equity investment held before the merger date, the accounting treatment for other comprehensive income confirmed by the equity method or financial instrument recognition and measurement standards will not be carried out until the investment is disposed of on the same basis as the direct disposal of the relevant assets or liabilities by the investee; other changes in equity other than net profit and loss, other comprehensive income and profit distribution of the investee confirmed by the equity method shall not be carried out any accounting treatment for the time being until the investment is transferred to current profit and loss at the time of disposal.

3. Accounting treatment of business combination not under common control

The acquisition date is the date on which control of the acquired entity passes to the Company, that is, the date on which the control over the net assets or production and operation decisions of the acquired entity is transferred to the Company. When the following conditions are met at the same time, the Company generally considers that the transfer of control rights has been achieved:

(1) The merger contract or agreement has been approved by the company's internal authority.

(2) The merger has been approved by the government authority if necessary.

(3) The necessary procedures for the transfer of property rights have been completed.

(4) The Company has paid the majority of the consideration and has the ability and plan to pay the rest.

(5) The Company has in fact controlled the financial and operational policies of the acquired entity, entitled the corresponding interests, and bear the corresponding risks.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

3. Accounting treatment of business combination not under common control (Continued)

On the purchase date, the company shall measure the assets paid as the consideration for the merger and the liabilities incurred or by the fair value, and the difference between the fair value and its carrying value shall be recorded into the current profit and loss.

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

If the business combination not under common control is realized step by step through multiple transactions, and belongs to a package of transactions, each transaction shall be treated as one transaction of gaining control; If it is not part of the package of transactions and the equity investment held before the merger date is measured by the equity method, the initial investment cost equals to the sum of the book value of the equity investment before the purchase date and the new investment cost on the purchase; The equity investment prior to the purchase date is recognized as other comprehensive income by equity method shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities by the investee when disposing of the investment. If the equity investment held before the merger date is calculated by financial instrument recognition and measurement criteria, the initial investment cost equals the fair value of the equity investment plus the cost of new investment on the merger date. The difference between the fair value of and the book value of the equity and the accumulated changes of the fair value in other comprehensive income shall be transferred to the investment income of the current period on the merger date.

4. Expenses related to the merger

The auditing fees, legal services fees, evaluation and consultation fees, and other directly related expenses for the merger shall be recorded into current profit and loss when it occurs; Transaction costs of issuing securities for the merger shall be deducted from the equity if it is equity transactions.

(VII) Compilation method of consolidated financial statements

1. Consolidation scope

The consolidated scope of the Company's consolidated financial statements is determined on a control basis and all subsidiaries (including separate entities controlled by the Company) are included in the consolidated financial statements.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(VII) Compilation method of consolidated financial statements (Continued)

2. Consolidation procedures

The consolidated financial statements are based on relevant information and the financial statements of the parent company and its subsidiaries. The consolidation financial statements regard the parent company and its subsidiaries as a whole, and present the overall financial position, operating results and cash flow of the Company in accordance with the requirements of recognition, measurement and presentation of relevant accounting standards and in accordance with unified accounting policies.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidated scope of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of the Company, necessary adjustments shall be made according to the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

The consolidated financial statements offset the impact of internal transactions between the company and its subsidiaries or between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity. If the same transaction is identified differently from the consolidated perspective to the company or subsidiary, the transaction shall be adjusted from the perspective of consolidation.

The shares belonging to minority shareholders in the shareholders' equity, current net profit and loss, and current comprehensive income of the subsidiary shall be separately listed under the shareholders' equity of the consolidated balance sheet, net profit and total comprehensive income of the consolidated income statement. The current loss shared by minority shareholders of the subsidiary exceeds the balance formed by minority shareholders' share in the initial shareholders' equity of the subsidiary, thus reducing several shareholders' equity.

For the subsidiaries acquired through the merger under the common control, the financial statements shall be adjusted based on the book value of the assets and liabilities (including the goodwill generated by the acquisition of the subsidiary by the ultimate controller) in the financial statements of the ultimate controller.

For subsidiaries acquired through the merger not under the common control, the financial statements shall be adjusted based on the fair value of identifiable net assets on the purchase date

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(VII) Compilation method of consolidated financial statements (Continued)

2. Consolidation procedures (Continued)

(1) Add subsidiaries or business

During the reporting period, if the number of subsidiaries or businesses is increased due to the merger of enterprises under the common control, the opening balance of the consolidated balance sheet shall be adjusted; include the revenues, expenses and profits of the subsidiary of business in the opening balance and the closing balance of the consolidated income statement; The cash flow of the subsidiary or business shall be included in the opening balance and the closing balance of the consolidated cash flow statement. The relevant items in the comparative statements shall be adjusted, and the subject of the consolidation report shall be regarded as existing from the date of control by the ultimate controller.

Where the investee under common control can be controlled due to additional investment or other reasons, the parties involved in the merger shall be regarded as adjusting their existing status when the ultimate controlling party begins to control. The equity investments held prior to the acquisition of control of the consolidated party shall be recognized between the date of acquisition of the original equity and the date on which the merging party and the merged party are in the same control, from the later date to the date of consolidation, and the changes in other net assets, and the opening retained earnings or current period gains or losses of the comparative statement period are reduced respectively.

During the reporting period, if a subsidiary or business is added as a result of a business combination that is not under common control, the opening balance of the consolidated balance sheet will not be adjusted; the revenue, expenses and profits of the subsidiary or business from the purchase date to the end of the reporting period will be included in the consolidated income statement; and the cash flow of the subsidiary or business from the purchase to the end of the reporting period will be included in the consolidated cash flow statement.

If the investee who is not under common control can be controlled due to additional investment or other reasons, the Company shall remeasure the equity of the investee held before the purchase date according to the fair value of the equity on the purchase date, and the difference between the fair value and its carrying amount shall be included in the investment income of the current period. If the equity of the investee held before the purchase date involves other comprehensive income under the equity method and other changes in Shareholders' equity other than net profit and loss, other comprehensive income and profit distribution, other comprehensive income and other changes in Shareholders' equity related to it are converted into investment income for the current period at the date of purchase, except for other comprehensive income arising from the remeasurement of the net liabilities and the net assets.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(VII) Compilation method of consolidated financial statements (Continued)

2. Consolidation procedures (Continued)

(2) Disposal of subsidiaries or businesses

1) General treatment

During the reporting period, if the Company disposes of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the opening balance to the date of disposal are included in the consolidated income statement; the cash flow of the subsidiary or business from the opening balance to the date of disposal is included in the consolidated cash flow statement.

In the event that the controlling interest over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company shall remeasure the remaining equity investment after disposal according to its fair value on the date of loss of control. The amount of the consideration obtained for the disposal of the equity plus the fair value of the remaining equity, minus the difference between the share of the net assets continuously calculated from the purchase date or merger date based on the original shareholding ratio and the goodwill, is included in the investment income of the period in which control is lost. Other comprehensive income related to equity investments in the original subsidiary or changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution, which are converted into investment income for the current period upon loss of control, except for other comprehensive income arising from the remeasurement of net liabilities or changes in net assets of the investee's set benefit plan.

2) Step by step disposal of subsidiaries

If the equity investment of the Subsidiary is disposed of step by step through multiple transactions until the control of the subsidiary is lost, the terms, conditions and economic impact of each transaction for the disposal of equity investment of the Subsidiary conform to one or more of the following conditions, which generally indicates that multiple transactions shall be accounted for as a package transaction:

a) These transactions are entered into simultaneously or with consideration for their mutual influence;

b) These transactions collectively produce a complete business outcome;

c) The occurrence of one transaction depends on the occurrence of at least one other transaction;

d) A transaction is not economic on its own, but it is economic when taken together with other transactions.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(VII) Compilation method of consolidated financial statements (Continued)

2. Consolidation procedures (Continued)

(2) Disposal of subsidiaries or businesses (Continued)

2) Step by step disposal of subsidiaries (Continued)

If the disposal of the equity investment of the subsidiary company until the loss of its control right is a package transaction, the Company will treat each transaction as a whole; However, the difference between the disposal price and the share of net assets of the subsidiary corresponding to the disposal investment before the loss of control shall be recognized as other comprehensive income in the consolidated financial statements, and shall be transferred to the profit and loss of the current period when the control is lost.

If the disposal of the equity investment of the subsidiary company until the loss of control is not a package transaction, accounting treatment shall be carried out according to the relevant policies of partial disposal of the equity investment of the subsidiary company without loss of control before the loss of control; When the loss of control occurs, refer to the general treatment of the disposal of subsidiary.

(3) Purchase of minority stake in subsidiaries

The capital reserve of the consolidated balance sheet shall be adjusted based on the difference between the acquiring of the minority stake in the new of a long-term equity investment and the share of net asset continuously calculating by the proportion of increasing shares in the subsidiaries entitled from the acquisition date (or combined date), if the capital reserves in the lack of equity premium write-downs, adjust the retained earnings.

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

In the case of not losing control, The capital reserve of the consolidated balance sheet shall be adjusted based on the difference between the disposal price obtained as a result of the partial disposal of the long-term equity investment in the subsidiary and the share of net asset continuously calculating by the proportion of shares in the subsidiaries entitled from the acquisition date (or combined date) , if the capital reserves in the lack of equity premium write-downs, adjust the retained earnings.

(VIII) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term (generally matures within three months from the date of purchase), highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Foreign currency translation

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate/the approximate exchange rate similar to the spot exchange rate at the transaction date at initial recognition.

At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with the RMB amounts unchanged.

Non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with the difference included in profit or loss or other comprehensive income.

(X) Financial Instruments

The Company shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

Effective interest method refers to the method that is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate refers to the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Company shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses.

The amortized cost of a financial asset or financial liability refers to the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance (only applicable for financial assets).

1. Recognition, classification and measurement for financial assets

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

(1) financial assets as subsequently measured at amortized cost

(2) financial assets as subsequently measured at fair value through other comprehensive income

(3) financial assets as subsequently measured at fair value through profit or loss

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

1. Recognition, classification and measurement for financial assets (Continued)

Financial assets are measured at fair value at the time of initial recognition, but accounts receivable or notes receivable result from the sale of goods or services which do not have significant financing factor or do not consider the financing factor within one year, the initial measurement shall be made at the transaction price.

For financial assets measured at fair value are accounted in loss and profit in the current period, the relevant transaction costs are directly accounted in loss and profit, and the relevant transaction costs of other types of financial assets are accounted in the initially recognized amount.

The subsequent measurement of financial assets depends on their classification. If and only if the company changes the business model of managing financial assets, all the affected related financial assets will be reclassified.

(1) Financial assets classified as measured by amortized cost

A financial asset shall be measured at amortized cost if 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. The Company classified financial assets as financial assets classified as measured at amortized cost include cash and cash equivalents, notes receivables, accounts receivables, other receivables, debt investment, and et cetera.

Interest revenue shall be calculated by using the effective interest method, and amortized cost measurement shall be used for subsequent reporting periods. The profit or loss arising from the occurrence of impairment, derecognition or modification shall be included in current profit and loss period. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for following conditions:

1) purchased or originated credit-impaired financial assets. For those financial assets, the Company shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods. The Company that, in a reporting period, calculates interest revenue by applying the effective interest method to the amortized cost of a financial asset shall in subsequent reporting periods, calculate the interest revenue by applying the effective interest rate to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

1. Recognition, classification and measurement for financial assets (Continued)

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

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount, and the business mode of managing the financial assets is to receive the contract cash flow and sell the financial assets, then the company classifies the financial assets as financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income.

The Company adopts the effective interest rate method to recognize the interest income of such financial assets. Except that interest income, impairment loss and exchange difference are accounted in loss and profit in current period, other changes in fair value are accounted in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously accounted in other comprehensive income are transferred out and accounted in the current profit and loss.

Notes receivable and accounts receivable measured at fair value with changes accounted in other comprehensive income are presented as receivables financing, and other financial assets are presented as other debt investments. In which, other debt investment due within one year from the balance sheet date is presented as non-current assets due within one year, and other debt investment originally due within one year is presented as other current assets.

(3) Designate a financial asset at fair value through other comprehensive income

At initial recognition, the Company can irrevocably designate non-tradable equity instrument investment as a financial asset designated at fair value and its changes are accounted in other comprehensive income.

Changes in the fair value of this kind of financial assets are accounted in other comprehensive income, and no provision for impairment is required. When the financial asset is derecognized, the accumulated gains or losses previously accounted in other comprehensive income are transferred out and are accounted in retained earnings. During the period when the company holds the equity instrument investment, when the Company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be reliably measured, the dividend income shall be recognized and accounted in loss and profit in current period. The Company's investment in such financial assets is presented in other equity instruments.

An equity instrument investment is a financial asset measured at fair value and the change thereof is included in the profit or loss of the current period if it satisfies one of the following conditions: the financial asset is acquired primarily for the purpose of a recent sale; it was initially recognized as part of a centrally managed portfolio of identifiable financial asset instruments and there is objective evidence of a short-term profit pattern in the near future; and it is a derivative instrument (other than derivatives that meet the definition of a financial guarantee contract and are designated as valid hedging instruments).

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

1. Recognition, classification and measurement for financial assets (Continued)

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

Financial assets that do not meet the criteria for being classified as measured at amortized cost or at fair value and the change of which is included in other comprehensive income, nor that are specified as being measured at fair value and the change of which is included in other comprehensive income, are classified as financial assets measured at fair value and the change of which is included in the profit or loss of the current period.

The Company subsequently measures such financial assets at fair value and includes gains or losses arising from changes in fair value and dividends and interest income associated with such financial assets in the profit or loss for the current period.

The Company reports such financial assets in trading financial assets and other non-current financial assets according to their liquidity.

(5) Designate a financial asset at fair value through profit or loss

At the time of initial recognition, the Company may irrevocably designate a financial asset on a single financial asset basis as a financial asset measured at fair value and the change of which is included in the profit or loss of the current period in order to eliminate or significantly reduce the accounting mismatch.

Where a mixed contract contains one or more embedded derivative instruments and its main contract does not belong to the above financial assets, the Company may designate it as a financial instrument measured at fair value and the change of which is included in the profit or loss of the current period. However, the following exceptions apply:

1) Embedding derivatives does not materially alter the cash flow of mixed contracts.

2) When it is first determined whether a similar mixed contract needs to be spun off, it is almost impossible to analyze it to make it clear that the embedded derivatives it contains should not be spun off. For example, if the prepayment right of the loan is embedded, the holder is allowed to repay the loan in advance at an amount close to the amortized cost, and the prepayment right does not need to be split.

The Company subsequently measures such financial assets at fair value and includes gains or losses arising from changes in fair value and dividends and interest income associated with such financial assets in the profit or loss for the current period.

The Company reports such financial assets in trading financial assets and other non-current financial assets according to their liquidity.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

2. Recognition, classification and measurement for financial liabilities

The Company classifies a financial instrument or its components as a financial liability or equity instrument at the time of initial recognition, based on the contractual terms of the financial instrument issued and the economic substance it reflects, not just in legal form, combined with the definition of financial liabilities and equity instruments. Financial liabilities are initially recognized measured at fair value through profit or loss, other financial liabilities, derivatives designated as valid hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value and the change thereof is included in the profit or loss of the current period, the associated transaction costs are directly included in the profit or loss of the current period, and for other types of financial liabilities, the relevant transaction costs are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities classified as subsequently measured at fair value through profit or loss

Such financial liabilities include trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at initial recognition as measured at fair value and the change of which is included in the profit or loss of the current period.

Financial liabilities held for trading include: financial liabilities that are incurred with an intention to repurchase them in the near term; financial liabilities that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking; derivative liabilities that are not accounted for as hedging instruments. Financial liabilities held as trading (including derivatives that are financial liabilities) subsequently measured at fair value, except for hedging instruments, the change of fair value is included in profit or loss.

At initial recognition, the Company irrevocably designate a financial liability as measured at fair value through profit or loss if:

1) doing so eliminates or significantly reduces a measurement or recognition inconsistency

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 Company is provided internally on that basis to the Company's key management personnel.

The Company uses fair value for subsequent measurement of such financial liabilities, and other fair value changes are included in the profit or loss of the current period, except for changes in fair value caused by changes in the Company's own credit risk, which are included in other comprehensive income. Unless changes in fair value caused by changes in the Company's own credit risk are included in the accounting mismatch in other comprehensive income that would cause or widen the profit or loss, the Company included all changes in fair value (including the amount of the impact of changes in its own credit risk) in the profit or loss for the current period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

2. Recognition, classification and measurement for financial liabilities (Continued)

(2) Other financial liabilities

In addition to the following, the Company classifies financial liabilities as measured at amortized cost, and applies the effective interest rate method to such financial liabilities, which are subsequently measured at amortized costs, and gains or losses arising from derecognition or amortization are included in the profit or loss of the current period:

1) A financial liability measured at fair value and the change of which is included in the profit or loss of the current period.

2) The transfer of financial assets does not qualify for derecognition or continues to involve financial liabilities arising from the transferred financial assets.

3) Financial guarantee contracts that do not fall under the first two categories of this Article, and loan commitments that do not fall under 1) as above at a lower interest rate.

A financial guarantee contract refers to a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. After initial recognition, an issuer of such a contract shall subsequently measure it at the higher of the amount of the loss allowance determined and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

3. Derecognition of financial assets and financial liabilities

(1) The Company shall derecognize a financial asset if the financial asset meet one of the following conditions, that is, the financial asset shall be removed from its account and balance sheet:

1) the contractual rights to the cash flows from the financial asset expire, or

2) it transfers the financial asset, and the transfer qualifies for derecognition.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

3. Derecognition of financial assets and financial liabilities (Continued)

(2) Derecognition of financial liabilities

The Company shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, 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. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall 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.

4. Recognition and measurement of transferred financial assets

When the Company transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

(1) if the Company transfers substantially all the risks and rewards of ownership of the financial asset, the Company shall derecognize the financial asset and recognized separately as assets or liabilities any rights and obligations created or retained in the transfer.

(2) if the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company shall continue to recognize the financial asset.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

4. Recognition and measurement of transferred financial assets (Continued)

(3) if the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset (other circumstances than (1) or (2) as above), the Company shall determine whether it has retained control of the financial asset. In this case:

1) if the Company has not retained control, it shall derecognize the financial asset and recognized separately as assets or liabilities any rights and obligations created or retained in the transfer.

2) if the Company has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

The principle of substance over form is adopted when judging whether the transfer of financial assets satisfies the above-mentioned conditions for the derecognition of financial assets. The Company distinguishes the transfer of financial assets into the transfer of financial assets as a whole and a partial transfer.

(1) On derecognition of a financial asset in its entirety, the difference between:

1) the carrying amount (measured at the date of derecognition) and

2) the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

(2) If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. For this purpose, a retained servicing asset shall be treated as a part that continues to be recognized. The difference between:

1) the carrying amount (measured at the date of derecognition) allocated to the part derecognized and

2) the consideration received for the part derecognized (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

If a transfer does not result in derecognition, the Company shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

5. The fair value of financial assets and financial liabilities

A financial asset or financial liability with an active market is determined by the quotation of the active market, unless there is a restriction period for the asset itself. For a restricted financial asset for the asset itself, it is determined by deducting the amount of compensation requested by the market participant for assuming the risk of not being able to sell the financial asset on the open market within a specified period of time on the basis of the quotation of the active market. Quotes for active markets include quotes for relevant assets or liabilities that are readily and regularly available from exchanges, traders, brokers, industry groups, pricing agencies or regulators, etc., and represent actual and frequent market transactions that occur on a fair-trade basis.

Financial assets acquired or derived initially or derived from liabilities are based on the market transaction price as the basis for determining their fair value.

If there are no active markets for financial assets or financial liabilities, the valuation method is used to determine their fair value. In valuation, the Company uses valuation method that is applicable in the current circumstances and are sufficiently supported by data and other information to select input values that are consistent with the characteristics of the assets or liabilities considered by market participants in transactions with the underlying assets or liabilities and to give priority to the use of the relevant observable inputs as much as possible. The observable input value is used in cases where the relevant observable input value cannot be obtained or is not feasible to obtain.

6. Impairment of financial instruments

The Company conducts impairment accounting treatment and recognizes loss allowance on the basis of expected credit losses.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit losses refer to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

For trade receivables or contract assets that result from transactions that are within the scope of Revenue Standards and lease receivables, the Company shall adopt simplified approach, and shall always measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets that have been subject to credit impairment purchased or originated, only the cumulative change in expected credit losses for the entire duration of the period since initial recognition is recognized at the balance sheet date as a provision for losses. At each balance sheet date, the amount of the change in the expected credit loss over the life of the current period is included in the profit or loss of the current period as an impairment loss or gain. Even if the expected credit loss for the entire duration determined at the balance sheet date is less than the amount of the expected credit loss reflected in the estimated cash flows at the time of initial recognition, the favorable change in the expected credit loss is recognized as an impairment gain.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

6. Impairment of financial instruments (Continued)

In addition to the above-mentioned financial assets other than those that use simplified measurement methods and purchases or originated credit impairments, at each reporting date, the Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, and measures its loss provision, recognizes expected credit losses and changes thereof, respectively, in accordance with the following circumstances:

(1) If the credit risk of the Financial Instrument has not increased significantly since the initial recognition and is in the first stage, its loss allowance is measured in an amount equivalent to the expected credit losses of the Financial Instrument in the next 12 months, and interest income is calculated on the basis of the carrying amount and the effective interest rate.

(2) If the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, it is in the second stage, its loss allowance is measured in an amount equivalent to the lifetime expected credit losses of the financial instrument, and interest income is calculated on the basis of the carrying amount and the effective interest rate.

(3) If the Financial Instrument has incurred credit impairment since the initial recognition, it is in the third stage, and the Company measures its loss allowance in an amount equivalent to the lifetime expected credit losses of the Financial Instrument and calculates interest income based on amortized cost and the effective interest rate.

The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. Except for be recognized in other comprehensive income, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position. The Company shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income, and the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date, and shall recognize in profit or loss, as an impairment gain or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

6. Impairment of financial instruments (Continued)

(1) Significant increases in credit risk

If reasonable and supportable forward-looking information is available, the Company uses the information to determine whether the credit risk of financial instruments has increased significantly since the initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date. For loan commitments and financial guarantee contracts, the date that the entity becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

The Company considers the following factors in assessing whether there has been a significant increase in credit risk:

1) a significant change in the actual or expected results of the borrower's operating results;

2) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;

3) significant changes in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments. Credit quality enhancements or support include the consideration of the financial condition of the guarantor and/or, for interests issued in securitizations, whether subordinated interests are expected to be capable of absorbing expected credit losses;

4) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group; and

5) changes in the entity's credit management approach in relation to the financial instrument.

At the balance sheet date, if the Company determines that a Financial Instrument has only low credit risk, the Company assumes that the credit risk of the Financial Instrument has not increased significantly since the initial recognition. A financial instrument is considered to have the low credit risk if the risk of default is low, the borrower's ability to perform its contractual cash flow obligations in the short-term is strong, and even if there are adverse changes in the economic situation and operating environment over a longer period of time, it does not necessarily reduce the borrower's ability to perform its contractual cash flow obligations.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

6. Impairment of financial instruments (Continued)

(2) Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

1) significant financial difficulty of the issuer or the borrower;

2) a breach of contract, such as a default or past due event;

3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

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

5) the disappearance of an active market for that financial asset because of financial difficulties; or

6) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event — instead, the combined effect of several events may have caused financial assets to become credit-impaired.

(3) Recognition for credit loss

The Company evaluates expected credit losses of financial instruments on a case-by-case basis and in combination, taking into account reasonable and evidenced information about past events, current conditions and projections of future economic conditions when assessing expected credit losses.

The Company divides financial instruments into different combinations based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include types of financial instruments, credit risk ratings, ageing portfolio, overdue ageing portfolio, contract settlement cycles, the borrower's industry and etcetera. The individual assessment criteria and combined credit risk characteristics of the relevant financial instruments are detailed in the accounting policies of the relevant financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

6. Impairment of financial instruments (Continued)

(3) Recognition for credit loss (Continued)

The Company determines the expected credit loss of the relevant Financial Instruments in accordance with the following methods:

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

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

3) For a financial guarantee contract, a credit loss is the present value of the difference between the amount of the Company's estimated payment to the contract holder for the credit loss incurred by the Contract, less the amount that the Company expects to charge the contract holder, the debtor or any other party.

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

The Company's method of measuring expected credit losses in financial instruments reflects factors such as: unbiased probability-weighted average amounts determined by evaluating a range of possible outcomes; the time value of money; and reasonable and well-founded information about past events, current conditions, and projections of future economic conditions that can be obtained at the balance sheet date without unnecessary additional costs or efforts.

(4) Financial Assets write-down

When the Company no longer reasonably expects that the contractual cash flow of a financial asset will be recovered in whole or in part, the carrying amount of the financial asset is directly written down. Such write-downs constitute derecognition of the relevant financial asset.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company:

(1) currently has a legally enforceable right to set off the recognized amounts; and

(2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(XI) Notes receivables

Please refer to Section IV (X) 6. Impairment of financial instruments for the determination of notes receivables expected credit losses.

When the sufficient evidence of the expected credit losses cannot be evaluated at a reasonable cost for a single instrument, the company divided notes receivables into several portfolios by credit risk characteristics and calculates the expected credit losses on the basis of portfolios according to historical credit loss experience, and the current situation, the forecast of future economic conditions. The basis for determination of portfolio is as follows:

Portfolios	Basis for determination of portfolio	Method for measuring
Bank acceptance receivable with no risk	The acceptor has a high credit rating, has not defaulted on the notes in history, has a very low risk of credit loss, and has a strong ability to fulfil its obligation to pay the cash flow of the contract in the short-term.	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Trade acceptance receivable	There is a certain credit risk for the acceptor.	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.

The method of recognition of expected credit losses of trade acceptance notes receivables and accounting treatment shall refer to the accounting policies for provisions of bad debts. The ageing threshold of a trade acceptance notes receivable is traced back to the corresponding ageing start date of the accounts receivable.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Accounts receivables

Please refer to Section IV (X) 6. Impairment of financial instruments for the determination of accounts receivables expected credit losses.

The Company separately determines credit losses for accounts receivables at the level of a single instrument when the expected credit loss can be evaluated and provided sufficient evidence at a reasonable cost.

When the sufficient evidence of the expected credit losses cannot be evaluated at a reasonable cost, the Company divides accounts receivables into several portfolios by credit risk characteristics and calculates the expected credit losses on the basis of portfolios according to historical credit loss experience, and the current situation, the forecast of future economic conditions. The basis for determination of portfolio is as follows:

Portfolios	Basis for determination of portfolio	Method for measuring
Portfolio grouped with related party receivables	Receivables from related parties as a credit risk characteristic	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Portfolio grouped with non-related party receivables	Ages as a credit risk characteristic	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.

(XIII) Receivables financing

Please refer to Section IV (X) 6. Impairment of financial instruments for the determination of receivables financing expected credit losses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIV) Other receivables

Please refer to Section IV (X) 6. Impairment of financial instruments for the determination of other receivables expected credit losses.

The Company separately determines credit losses for other receivables at the level of a single instrument when the expected credit loss can be evaluated and provided sufficient evidence at a reasonable cost.

When the sufficient evidence of the expected credit losses cannot be evaluated at a reasonable cost, the company divided other receivables into several portfolios by credit risk characteristics and calculates the expected credit losses on the basis of portfolio according to historical credit loss experience, and the current situation, the forecast of future economic conditions. The basis for determination of portfolio is as follows:

Portfolios	Basis for determination of portfolio	Method for measuring
Portfolio grouped with related party receivables	Receivables from related parties as a credit risk characteristic	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Portfolio grouped with non-related party receivables of deposit, reserve and assurance	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Portfolio grouped with lease receivables	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Other Portfolio	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XV) Inventories

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or supplies etc. to be consumed in the production process or in the rendering of services. It mainly includes raw materials, work in process, semi-finished goods, goods on hand, and delivered goods.

2. Accounting method for dispatching inventories

When inventory is acquired, it is initially measured at cost, including procurement costs, processing costs and other costs. Inventories are priced on a month-end-of-month weighted average basis.

3. Basis for determining net realizable value and the provision method of impairment

After the stocktaking, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of Goods on hand and other inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; The net realizable value of inventory held for the purpose of executing a sales contract or labour contract is calculated on the basis of the contract price, and if the quantity of inventory held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventory is calculated on the basis of the general sales price.

Provisions for inventory write-down is made at the end of the period on the basis of individual inventory items; for inventories with massive quantities and lower unit prices, however, provisions for inventory write-down are made in accordance with inventory categories; for inventories related to a series of products produced and sold in the same region, with the same or similar end-use or purpose, and which are difficult to measure separately from other items, provisions for inventory write-down are made as a whole.

Where the factors affecting the value of the previous write-down of the inventory have disappeared, the amount of the write-down shall be restored and reversed within the amount of the original provisions for inventory write-down, and the amount of the reversal shall be included in the profit or loss of the current period.

4. Inventory system

Perpetual inventory method.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XV) Inventories (Continued)

5. Amortization method of low-value consumables and packages

(1) Low-value consumables are amortized with one-off method;

(2) Packages are amortized with one-off method;

(3) Other revolving materials are amortized with one-off method.

(XVI) Contract costs

A contract asset is recognized when the right to consideration in exchange for goods or services that the Company has transferred to a customer, and the right to consideration is conditional on something other than the passage of time. A receivable is presented in the statement of financial position when the Company's right to consideration is unconditional except for the passage of time.

Please refer to Section IV (X) 6. Impairment of financial instruments for the recognition criteria and accounting treatment of expected credit loss.

(XVII) Held for sale

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

Non-current assets or disposal groups are accounted for as held for sale when the following conditions are all met:

(1) the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups;

(2) its sales must be highly probable, i.e., the Company has made a decision on the sale plan and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

The firm purchase commitment refers to an agreement with an unrelated party, binding on both parties and usually legally enforceable, that specifies all significant terms, including the price and timing of the transactions, and includes a disincentive for non-performance that is sufficiently large to make performance highly probable.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVII) Held for sale (Continued)

2. Measurement of non-current assets or disposal groups as held for sale

For non-current assets or disposal groups as held for sale, the Company does not accrue depreciation or amortization, where the carrying amount is higher than the fair value less costs to sell, the carrying amount is written down to the fair value less costs to sell, and the write-down is recognized in profit or loss as assets impairment loss, meanwhile, provision for impairment of assets as held for sale shall be made.

For a non-current asset or disposal group classified as held for sale at the acquisition date, the asset or disposal group is measured on initial recognition at the lower of its initial measurement amount had it not been so classified and fair value less costs to sell.

The above principles apply to all non-current assets, but exclude investment property measured subsequently using the fair value model, biological assets measured net at fair value less the cost of sale, assets resulting from employee compensation, deferred tax assets, financial assets regulated by accounting standards related to financial instruments, and rights arising from insurance contracts regulated by accounting standards related to insurance contracts.

(XVIII) Long-term equity investments

1. Determination of initial investment cost

(1) Please refer to section VI Accounting treatments of business combination under and not under common control for long-term equity investments from business combination.

(2) Other long-term equity investments

The initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid. The initial cost includes the direct fees, duties and other necessary costs for obtaining long-term equity investments.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities is the fair value of the equity securities issued; Transaction costs incurred when issuing or acquiring one's own equity instruments can be deducted directly from the equity of the equity transaction.

Where the non-cash asset exchange has commercial substance and the fair value of the assets swapped in or out can be reliably measured, the long-term equity investment in the non-cash asset exchange is based on the fair value of the assets surrendered to determine its initial investment costs, unless there is conclusive evidence that the fair value of the assets swapped in is more reliable; for non-cash asset exchanges that do not meet the above prerequisites, the carrying amount of the assets to be exchanged and the relevant taxes payable are used as the initial investment costs for the long-term equity investment.

The initial cost of a long-term equity investment obtained through debt restructuring is determined on the basis of the fair value.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Long-term equity investments (Continued)

2. Subsequent measurement and recognition method of profit or loss

(1) Cost method

The Company is able to implement control over the long-term equity investment of the investee using the cost method of accounting, and the cost of the long-term equity investment is adjusted according to the initial investment cost, and the cost of the long-term equity investment is adjusted by adding or recovered investment.

Except for the declared but unpaid cash dividends or profits included in the price actually paid or consideration at the time of acquisition of the investment, the Company recognizes the cash dividends or profits declared and distributed by the investee as investment income for the current period.

(2) Equity method

The Company uses the equity method to account for long-term equity investments in associates and joint ventures; for equity investments in a portion of the equity investments of associates held indirectly through venture capital institutions, mutual funds, trust companies or similar entities, including investment-linked insurance funds, fair value measurements are used and changes are included in profit or loss.

The initial investment cost of a long-term equity investment is greater than the difference between the fair value share of the investee recognizable net assets at the time of investment, and the initial investment cost of the long-term equity investment is not adjusted; the difference between the initial investment cost and the fair value share of the investee that should have entitled the recognizable net assets of the investee at the time of the investment is included in the profit or loss of the current period.

After the company obtains long-term equity investment, it recognizes investment income and other comprehensive income respectively according to its share of net profit and loss and other comprehensive income realized by the investee, and adjusts the carrying amount of long-term equity investment; the carrying amount of the long-term equity investment is reduced accordingly based on the profits or cash dividends declared and distributed by the investee; For other changes in the owner's equity of the investee other than net profit and loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment is adjusted and included in the owner's equity.

When the company recognizes its share of the net profit and loss of the investee, it shall recognize the net profit of the investee after adjustment based on the fair value of all identifiable assets of the investee at the time of acquisition of investment. The unrealized intragroup gains and losses between the Company and its associates or joint ventures shall be offset by the portion that belongs to the Company calculated in proportion to its ownership, and the investment gains and losses shall be recognized on this basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Long-term equity investments (Continued)

2. Subsequent measurement and recognition method of profit or loss (Continued)

(2) Equity method (Continued)

When the Company confirms that the losses incurred by the investee should be shared, it shall be treated in the following order: first, write down the carrying amount of long-term equity investments. Second, if the carrying amount of the long-term equity investment is insufficient to be offset, the carrying amount of the long-term equity interest that substantially constitutes a net investment in the investee shall continue to be recognized to the extent of the carrying amount of other long-term equity interests that substantially constitute the net investment in the investee, and the carrying amount of the long-term receivable items shall be reduced. Finally, after the above treatment, if the Company still bears additional obligations in accordance with the investment contract or agreement, the provisions are recognized according to the expected obligations and included in the investment losses of the current period.

Profitable during the period of after the investee, the company is in after deducting unrecognized losses to share the forehead, in contrary to the above order processing, write-downs have confirmed the carrying amount of the estimated debts, restore other essentially constitute the long-term rights and interests of the net investment by the investee, and the carrying amount of the long-term equity investment, restore to confirm investment returns.

3. Conversion of accounting method for long-term equity investment

(1) Fair value measurement to equity method

If the Company originally held an equity investment that does not have control, joint control, or significant influence over the investee and is accounted for according to the financial instrument recognition and measurement standards, etc., which can exert significant influence on the investee or exercise joint control but does not constitute control due to additional investment, the fair value of the equity investment originally held by the Company determined in accordance with "CASBE 22 — Financial Instruments: Recognition and Measurement", plus the sum of the new investment costs shall be used as the initial investment cost of the equity method.

The initial investment cost calculated under the equity method is less than the difference between the fair value share of the investee identifiable on the date of the additional investment calculated according to the new shareholding proportion after the additional investment, and the carrying amount of the long-term equity investment is adjusted and included in the non-operating income of the current period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Long-term equity investments (Continued)

3. Conversion of accounting method for long-term equity investment (Continued)

(2) Fair value measurement or equity method to cost method

Where the Company originally held equity investments that do not have control, common control or significant influence over the investee and are accounted for according to the criteria for recognition and measurement of financial instruments, or long-term equity investments in associated enterprises or joint ventures originally held, and are able to exercise control over the investees under different control due to additional investments, etc., when preparing individual financial statements, the carrying amount of the equity investment originally held plus the sum of the additional investment costs shall be used as the initial investment cost of the cost method.

Other comprehensive income recognized as a result of equity accounting held prior to the date of purchase shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities by the investee when disposing of the investment.

Where equity investments held prior to the date of purchase are accounted for in accordance with the relevant provisions of CASBE 22 — Financial Instruments: Recognition and Measurement, the cumulative fair value changes originally included in other comprehensive income are transferred to the profit or loss of the current period when it changed to the cost method.

(3) Equity method to fair value measurement

If the Company loses its common control or significant influence over the investee due to the disposal of part of the equity investment, the remaining equity after disposal shall be accounted for in accordance with CASBE 22 — Financial Instruments: Recognition and Measurement, and the difference between the fair value and the carrying amount on the date of loss of common control or material impact shall be included in the profit or loss of the current period.

Other comprehensive income recognized by the original equity investment due to the use of equity method shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the investee when the equity method is terminated.

(4) Cost method to equity method

If the Company loses control over the investee due to the disposal of part of the equity investment or other reasons, when preparing the individual financial statements, if the remaining equity after disposal can exercise joint control over the investee or exert a significant influence, it shall be accounted for in accordance with the equity method instead, and the remaining equity shall be regarded as if it were acquired and adjusted by the equity method.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Long-term equity investments (Continued)

3. Conversion of accounting method for long-term equity investment (Continued)

(5) Cost method to fair value measurement

If the Company loses control over the investee due to the disposal of part of the equity investment, etc., when preparing the individual financial statements, the remaining equity after disposal cannot exercise joint control over the investee or exert a significant influence, it shall be accounted for in accordance with the relevant provisions of CASBE 22 — Financial Instruments: Recognition and Measurement, and the difference between the fair value and the carrying amount on the date of loss of control shall be included in the profit or loss of the current period.

4. Disposal of long-term equity investment

The difference between the carrying amount of a long-term equity investment and the actual price obtained shall be included in the profit or loss of the current period. For long-term equity investments accounted for using the equity method, when disposing of the investment, the same basis as the direct disposal of the relevant assets or liabilities by the investee is adopted, and the part originally included in other comprehensive income is accounted for in the corresponding proportion.

The terms, conditions and economic impact of the disposal of various transactions on equity investments in subsidiaries are consistent with one or more of the following circumstances, and multiple transactions are accounted for as package transactions:

(1) These transactions are entered into simultaneously or with consideration for their mutual influence;

(2) These transactions collectively produce a complete business outcome;

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

(4) A transaction is not economical on its own, but it is economical when taken together with other transactions.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Long-term equity investments (Continued)

4. Disposal of long-term equity investment (Continued)

Disposal of a subsidiary in stages not qualified as a package transaction resulting in the Company's loss of control, the stand-along financial statements and the consolidated financial statements are distinguished for relevant accounting treatment as follows:

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

(2) For the consolidated financial statements, before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings. When the Company loses control, the remained equity is remeasured at the loss-of-control date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

Where the transactions in which the equity investment in the subsidiary is disposed of until the loss of control is a package transaction, the transaction shall be accounted for as a transaction in which the equity investment of the subsidiary is disposed of and the control is lost, and the relevant accounting treatment is distinguished between the stand-along financial statements and the consolidated financial statements as follows:

(1) For the stand-alone financial statements, the difference between the price of each disposal prior to the loss of control and the carrying amount of the long-term equity investment corresponding to the equity disposed of is recognized as other comprehensive income and is transferred to the profit or loss of the period in which the control is lost.

(2) For the consolidated financial statements, before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Long-term equity investments (Continued)

5. Criteria for joint control and significant influence

The Company that is a party to an arrangement shall assess whether the contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively, and all the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the activities that significantly affect the returns of the arrangement. Then the arrangement is the joint arrangement.

A joint venture is defined as that a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The joint venture adopts equity method for measurement. A joint operation is 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 recognizes items related to the share of joint operating interests and treats them in accordance with the provisions of the relevant accounting standards.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies. The Company determines that it has a significant influence on the investee by one or more of the following circumstances, and after comprehensively considering all the facts and circumstances: (1) When the Company is represented on the board of directors or equivalent governing body of the investee entity; (2) the Company participation in policy-making processes; (3) material transactions between the Company and its investee; (4) interchange of managerial personnel; (5) provision of essential technical information.

(XIX) Investment property

Investment property is property (land or a building — or part of a building — or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both. In addition, vacant buildings held by the Company for operational leasing are also reported as investment property if the Board of Directors makes a written resolution expressly indicating that it will be used for operating leasing and the intention to hold them will not change in the short term.

The Company's investment property is recorded at its cost, and the cost includes the purchase price, related taxes and other expenses directly attributable to the asset; the cost of self-constructing investment property consists of the necessary expenses incurred before the asset is built before it reaches its intended usable state.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIX) Investment property (Continued)

The subsequent measurement is made using the cost model, the depreciation or amortization method. The expected useful life, residual value proportion and annual depreciation rate of investment property are shown below:

Categories	Useful life (year)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	15–30	3	3.23–6.47

When the use of investment property is changed to self-use, the Company converts the investment property into a fixed asset or intangible asset from the date of the change. When a conversion occurs, the book value before the conversion is used as the converted recorded value.

When the investment property is disposed of, or permanently withdrawn from use and it is not expected to be able to obtain economic benefits from its disposal, the recognition of the investment property is terminated. Proceeds from the disposal of investment property sold, transferred, scrapped or damaged, net of their carrying amount and associated taxes, are included in the profit or loss of the current period.

(XX) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets shall be recognized if meet the both conditions as following:

(1) it is probable that future economic benefits associated with the assets will flow to the Company,

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

2. Initial measurement

The fixed assets should initially be recorded at cost.

(1) Cost involves all costs necessary to bring the asset to working condition for its intended use, including its original purchase price, import duties and other related taxes and fees.

(2) Cost involves bringing an item to the location and condition necessary for it to be capable of operating.

(3) The fixed assets invested by the investor shall be recorded at the value agreed in the investment contract or agreement, but the value agreed in the contract or agreement shall be recorded at fair value if the value agreed upon in the contract or agreement is unfair.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XX) Fixed assets (Continued)

2. Initial measurement (Continued)

(4) Where the purchase price of a fixed asset exceeds the normal credit conditions and is deferred from payment, and is essential of a financing nature, the cost of the fixed asset is determined on the basis of the present value of the purchase price. The difference between the price actually paid and the present value of the purchase price is recognized in the profit or loss of the current period, except as it should be capitalized, during the credit period.

3. Measurement subsequent to initial recognition

(1) Depreciation

The depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life. For fixed assets for which an impairment provision is made, the depreciation is determined in future periods at the carrying amount after deduction of the impairment provision and on the basis of the useful life; an item is fully depreciated and continue to use shall not be depreciated.

The Company determines the useful life and estimated net residual value of the fixed assets based on the nature and use of the fixed assets. The residual value, the useful life, and the depreciation method of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate.

The expected useful life, residual value proportion and annual depreciation rate of fixed assets are shown below:

Categories	Depreciation method	Useful life (year)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	15–30	3	3.23–6.47
General equipment	Straight-line method	5–18	3	5.39–19.40
Transport facilities	Straight-line method	4–6	3	16.17–24.25
Other equipment	Straight-line method	4–15	3	6.47–24.25

(2) Subsequent expenditures

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XX) Fixed assets (Continued)

3. Measurement subsequent to initial recognition (Continued)

(3) Disposal of fixed assets

An asset should be removed from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognised in profit and loss.

(XXI) Construction in progress

1. Initial measurement

The Company's self-constructed works in progress are valued at actual costs, which consist of the necessary expenses incurred before the asset is built to the intended usable state, including the cost of engineering materials, labour costs, relevant taxes paid, borrowing costs that should be capitalized, and indirect costs to be apportioned.

2. Construction in progress transfer to fixed assets

Construction in progress is recorded as the value of the fixed asset based on all expenditures incurred before the asset reaches its intended usable state. When the auditing of the construction in progress was not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

(XXII) Borrowing costs

1. Recognition principle of borrowing costs capitalization

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

Assets that meet the conditions for capitalization refer to assets such as fixed assets, investment property, and inventory that require a considerable period of purchase, construction or production activities to reach the intended state of use or sale ability.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXII) Borrowing costs (Continued)

1. Recognition principle of borrowing costs capitalization (Continued)

The borrowing costs are not capitalized unless the following requirements are all met:

(1) The asset disbursements, including the expenditure incurred for the acquisition and construction or production of assets eligible for capitalization in the form of cash payments, transfer of non-cash assets or interest-bearing debt, have already incurred;

(2) The borrowing costs have already incurred;

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

2. Borrowing costs capitalization period

Borrowing costs capitalization period refers to the period from the time when the borrowing cost began to the time when the capitalization stopped, and the period during which the capitalization of the borrowing cost was suspended is not included.

The Company shall cease capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the Company completes the construction of a qualifying asset in parts and each part is capable of being used separately, the Company shall cease capitalizing borrowing costs.

When the Company completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the Company shall cease capitalizing borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

3. Suspension of capitalization

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXII) Borrowing costs (Continued)

4. Capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings in the current period less the interest income on the unused borrowings as a deposit in the bank or as a temporary investment.

The Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements less the general borrowing by the capitalization rate of the general borrowing used. Capitalization rate usually determines by the weighted average.

Where there is a discount or premium on the loan, the amount of the discount or premium to be amortized in each accounting period shall be determined in accordance with the effective interest rate method, and the amount of interest for each period shall be adjusted.

(XXIII) Right-of-use assets

The Company shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

1. the amount of the initial measurement of the lease liability;

2. any lease payments made at or before the commencement date, less any lease incentives received;

3. any initial direct costs incurred by the Company; and

4. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Company measures the right-of-use asset applying a cost model.

If it is possible to reasonably determine the ownership of the underlying asset to the Company by the end of the lease term, the Company shall depreciate the right-of-use asset in the rest of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. For the impaired right-of-use asset, the Company shall depreciate the underlying asset based on the carrying amount after deduction of impairment provisions.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIV) Intangible assets and development cost

Intangible asset refers to an identifiable non-monetary asset without physical substance, including land use right, patent right and non-patented technology etc.

1. Initial measurement

Initial cost involves all costs necessary to bring the asset to working condition for its intended use, including its original purchase price, import duties and other related taxes and fees. Where the purchase price of an intangible asset exceeds the normal credit conditions and is deferred from payment, and is essentially of a financing nature, the cost of the intangible asset is determined on the basis of the present value of the purchase price.

The initial cost of a long-term equity investment obtained through debt restructuring is determined on the basis of the fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets used to cover the debt is included in the profit or loss for the current period.

On the premise that the exchange of non-monetary assets possesses commercial essence and the fair value of the assets received or surrendered can be measured reliably, the intangible assets exchanged for non-monetary assets shall determine their entry value on the basis of the fair value of assets surrendered, unless there is conclusive evidence that the fair value of the received assets is more reliable. Exchange of non-monetary assets that do not satisfy the preconditions mentioned above shall take the book value of the assets surrendered and the relevant taxes and fees payable as the cost of received intangible assets and shall not recognize as profit and loss.

The intangible assets acquired under the common control are determined by the book value of the merged party. The intangible assets acquired by enterprises under the common control shall determine their accounting value at fair value.

Internal self-developed intangible assets, and its cost includes: the cost of developing materials, labour costs, registration fees, the amortization of patents and other royalties used in the development process, capitalized interest costs, and other costs incurred to make the intangible asset achieve the expected purpose.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIV) Intangible assets and development cost (Continued)

2. The subsequent measurement of intangible assets

The Company analyses and determines its useful life when acquiring intangible assets, which is classified as intangible assets with limited useful life and uncertain useful life.

(1) Intangible assets with limited useful life

For intangible assets with limited useful life, they are amortized by straight-line method for its period bringing the economic benefits of the Company. The life expectancy of the intangible assets with limited life span is predicted as follows:

Item	Expected useful life (year)	Basis
Land-use right	50	Validity of the land-use right certificate
Franchises	10–15	Useful life
Software	5–10	Useful life
Others	10–15	Useful life

At the end of each period, the useful life and amortization method of the intangible assets with limited useful life will be reviewed. If there are differences between the original estimates and the current, corresponding adjustments will be made.

After reviewing, there is no difference between the current life and amortization methods of intangible assets and the previous.

(2) Intangible assets with uncertain useful life

Intangible assets with uncertain useful life refer to that its period brings the economic benefits is unforeseen.

For intangible assets with uncertain useful life, they will not be amortized during the holding period, and the life of intangible assets will be reviewed at the end of each term. If the final review remains uncertain, the impairment test will be conducted during each accounting period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIV) Intangible assets and development cost (Continued)

3. Criteria for distinguishing the research phase from the development phase of an internal project to create an intangible asset

Research phase: Activities carried out for planned investigation and search of new technology and knowledge, which has the characteristics of planning and exploration.

Development phase: Before the commercial production or use, the research results or other knowledge will be applied to a plan or design to produce new or substantial improvements in materials, devices, products and other activities.

Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred.

4. Specific criteria for capitalization of expenditure in the development phase

An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings:

(1) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

(2) its intention to complete the intangible asset and use or sell it.

(3) how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

(4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditures incurred in the development phase that do not meet the above conditions shall be included in the current profit and loss when it occurs. The development expenditure included in the previous profit and loss shall not reconfirm as an asset in the future. Expenditures in the capitalized development phase are shown on the balance sheet as development cost and are converted into intangible assets from the date of the project's intended use.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXV) Impairment of long-term assets

On the balance sheet date, the Company determines whether there may be a sign of a reduction in long-term assets. If there are signs of impairment in long-term assets, the recoverable amount is estimated on the basis of each single asset. If it is difficult to estimate the recoverable amount of each single asset, then determine the recoverable amount on the basis of the asset group.

The estimates of assets recoverable amount are the larger amount between the fair value deducting the disposal cost and the present value of expected future cash flow.

According to the measurement of recoverable amounts, when the long-term assets recoverable amount is lower than its book value, the book value of long-term assets is reduced to its recoverable amount. The reduced amount is recognized as impairment loss shown on the profit and loss, and make the corresponding provision for impairment of assets. Once the provision recognized, it shall not be returned during the subsequent accounting period.

After the asset impairment loss is confirmed, the depreciation or amortization expenses of the impairment assets will be adjusted accordingly in the future period so that the assets' book value of adjusted assets will be allocated in the remaining useful life (deducting the estimated net residual value).

The impairment test should be carried out every year no matter there is any sign of impairment for the goodwill that caused by enterprise merger and the intangible assets with uncertain useful life.

In the impairment test of goodwill, the book value of goodwill would be distributed to asset groups or portfolio groups benefiting from the synergy effect of an enterprise merger as expected. When taking an impairment test on the relevant asset group containing goodwill or portfolio groups, if there is any sign that the portfolio related to goodwill impairs, the impairment test should be first carried out to the portfolio that do not contain goodwill. Then, calculate the recoverable amount and compare it with the related book value and confirm the impairment the corresponding loss. Next, testing impairment of goodwill includes asset group or combination of asset groups and comparing book value of the related asset group or combination of asset groups (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of asset group or combination of asset groups is lower than the book value, confirm the impairment loss of goodwill.

(XXVI) Long-term prepayments

1. Amortization method

Long-term prepayments refer to the expenses that already been spent and the benefit period is more than one year. Long-term prepayments are amortized using the straight-line method in its useful life.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVI) Long-term prepayments (Continued)

2. Amortization period

Category	Amortization period (year)	Notes
Renovation fees	5	Benefit period
5G project cost amortization	3	Benefit period

(XXVII) Contract liabilities

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

(XXVIII) Employee benefits

Employee benefits refers to the payment or compensation for services provided by the employees or the termination of labour relations. Employee benefits includes short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term employee benefits

Short-term employee benefits refer to the employee payables that the Company's needs to pay in full for the employee services provided within twelve months after the end of the annual reporting period, except for post-employment benefits and dismissal benefits. During the accounting period in which the employee provides the service, the Company recognizes the short-term employee benefits payable as a liability and includes the costs and expenses for the relevant assets according to the beneficiary of the employee's service.

2. Post-employment benefits

Post-employment benefits refer to the employee payables that the Company's needs to pay for the employee services provided after their retirement or termination, except for post-employment benefits and dismissal benefits.

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVIII) Employee benefits (Continued)

2. Post-employment benefits (Continued)

Defined contribution plans mainly consist of the basic endowment insurance, unemployment insurance, and enterprise annuity paid for the employees according to relevant regulation by local governments. The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

The defined benefit plan is mainly for the clear standard of pooled benefits paid by retirees, living expenses for the survivors of deceased employees, etc. For obligations assumed in the defined benefit plan, the actuarial calculation is carried out by the independent actuary using the expected cumulative benefit unit method at the balance sheet date, attributing the benefit obligations arising from the set benefit plan to the period during which the employee provides services and is included in the profit and loss or related asset costs of the current period, where unless other accounting standards require or allow employee benefit costs to be included in the cost of assets, the net interest on the service costs of the set benefit plan and the net liabilities or net assets of the set benefit plan are included in the profit and loss of the current period in which they are incurred Changes in net liabilities or net assets of defined benefit plans are remeasured in other comprehensive income in the current period in which they occur and are not allowed to be rolled back to profit and loss in subsequent accounting periods.

3. Termination benefits

Termination benefits refer to the compensation paid when the Company terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

Early retirement benefits refer to the benefit offered to the employees who voluntarily accept Group's arrangement for early retirement. The Company pays the salary and social security for the employee who voluntarily retires after approval even though the employee has not yet reached the retiring age stated in government regulation. When qualified for early retirement benefit, proposed payment on early retirement benefit from the date when rendering of service terminated to date when the employee regularly retired is discounted and then recognized as liability and accounted into profit and loss. Differences resulting from changes in the actuarial assumptions of the internal benefit and adjustments to the welfare criteria are included in the profit and loss for the current period when they occur.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVIII) Employee benefits (Continued)

4. Other long-term employment benefit

Other long-term employment benefit refers to all employee benefit except for short-term benefit, post-employment benefit, and termination benefit.

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

(XXIX) Provisions

1. Criteria for provisions

The Company recognizes a provision if, and only if:

A present obligation has arisen as a result of a past event (the obligating event);

Payment is probable ('more likely than not');

The amount can be estimated reliably.

2. Measurement of provisions

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation.

In reaching its best estimate, the Company takes into account the risks and uncertainties that surround the underlying events, the time value of money, etc. Where the time value of money is material, the best estimate determined by the present value of relative future cash outflows.

The best estimates are measured in different situation as follow:

If there is a continuous range (or interval) of the required expenditure and the probability of the occurrence of all the results in the range is the same, the best estimate is determined according to the median value of the range, which is the average of the upper and lower limit.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIX) Provisions (Continued)

2. Measurement of provisions (Continued)

There is a necessary expense that does not exist a continuous range (or range) or exist a continuous range with a range of different possibility of a variety of results. If the contingencies of individual projects involving, the best estimate is most likely to occur in accordance with the amount determined. If contingencies involving a number of projects, the best estimate according to various possible results and related probability calculation.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement should be recognized as a separate asset, and not as a reduction of the required provision, when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognized should not exceed the amount of the provision.

(XXX) Lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lease payment comprises the following:

1. fixed payments (including in-substance fixed payments), less any lease incentives;

2. variable lease payments that depend on an index or a rate;

3. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;

4. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and

5. amounts expected to be payable by the lessee under residual value guarantees.

The company recognizes in profit and loss or relative asset cost for the interest on the lease liability calculated by fixed discount rate.

The company recognizes in profit and loss or relative asset cost for variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXI) Revenue

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

(1) Production and sales of copper cables, optical cables, and related products

(2) Trading business

(3) Agency and processing services

(4) Optical cable component business

1. Revenue recognition principles

The Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Performance obligation refers to a promise in a contract with a customer to transfer to the customer a good or service that is distinct.

Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The Company evaluates the contract at the date of commencement of the contract, identifies the individual performance obligations contained in the contract and determines whether each individual performance obligation is performed within a certain period or at a certain point in time. The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; (2) the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; (3) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. If a performance obligation is not satisfied over, the Company satisfies the performance obligation at a point in time.

In determining the appropriate method for measuring progress, the Company shall consider the nature of the good or service that the Company promised to transfer to the customer. Appropriate methods of measuring progress include output methods and input methods. Output methods recognize revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Input methods recognize revenue on the basis of the Company's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The Company may not be able to reasonably measure the outcome of a performance obligation, but the Company expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXI) Revenue (Continued)

2. Specific methods of revenue recognition

The Company has four major business segments, one is the production and sales of copper cables, optical cables and related products, the second is the trading business, the third is the agency and processing service business, the fourth is optical cable component business. The customer settles with the company after confirming the receipt of the goods, and according to the company's own business model and settlement method, the specific methods of sales revenue recognition of various types of business are disclosed as follows:

(1) Production and sales of copper cables, optical cables and related products

The company's main products are copper cable and related products, optical cables and related products, wire bushing and related products, it satisfies the performance obligation at a point in time. Revenue is recognized when the Company has delivered goods to the customer based on contractual agreements and the customer has accepted the goods; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; significant risks and rewards of ownership of the goods has been transferred; and the legal title of the goods has been transferred.

(2) Trading business

Trading business satisfies the performance obligation at a point in time. Revenue from domestic sales is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the customer based on contractual agreements and the customer has accepted the goods; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; significant risks and rewards of ownership of the goods has been transferred; and the legal title of the goods has been transferred. Revenue from overseas sales is recognized if, and only if, the following conditions are all met: the Company has declared goods to the customs based on contractual agreements and has obtained a bill of lading; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; significant risks and rewards of ownership of the goods has been transferred; and the legal title of the goods has been transferred.

(3) Agency and processing services

Agency and processing services satisfies the performance obligation at a point in time. Revenue is recognized when the Company has delivered the agency and processing services to the customer based on contractual agreements and the customer has accepted the goods. Services payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company.

(4) Optical cable component business

The Company's production and sales of assembly and manufacturing related products belong to the performance obligations performed at a certain point. The products are delivered to the agreed delivery place and accepted by the customer according to the contract. The main risks and rewards of the ownership of the goods have been transferred, the control of the goods has been transferred, and the probable future economic benefits are high likely to obtained by the company.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXII) Contract costs

1. Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another standard except for revenue recognition, the Company shall recognize an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

(1) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);

(2) 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

(3) the costs are expected to be recovered.

The asset is presented in inventories or other non-current assets based on whether the amortization period at the time of its initial recognition exceeds one normal business cycle.

2. Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). The Company may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

3. Amortization of contract costs

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

4. Impairment of contract costs

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred.

The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXIII) Government grants

1. Types

Government grants is the monetary assets and non-monetary assets obtained by the Company from the government free of charge. According to the relevant government documents provided by the subsidy object, the government subsidies are divided into asset-related government subsidies and income-related government subsidies.

Government grants related to assets are government grants with which the Company constructs or otherwise acquires long-term assets under requirements of government. Government grants related to income are government grants other than those related to assets.

2. Government grants recognition

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

If the government grants are monetary assets, it shall be measured according to the amount received or receivable. If the government grants are a non-monetary asset, it shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured according to the nominal amount (RMB1.00). Government grants measured in nominal terms are directly included in the current profits and losses.

3. Accounting treatment

According to the essence of the economic business, the Company determines whether a certain type of government grants should be accounted for by the total amount method or the net method. In general, the Company chooses only one method for similar or similar government grants, and consistently applies that method.

Government grants related to assets They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets.

For government grants related to income used for compensating the related future cost, expenses or losses, they are recognized as deferred income and included in profit or loss or used to offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or used to offset relevant cost.

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXIII) Government grants (Continued)

3. Accounting treatment (Continued)

Receiving government grants related to preferential interest rates for preferential loans to reduce related borrowing costs. To obtain the policy preferential interest rate loan provided by the loan bank, the amount of the loan received is taken as the entry value of the loan. The related borrowing cost is calculated according to the loan principal and the policy preferential interest rate.

When a confirmed government grants needs to be returned, the book value of the related assets will be reduced at the time of initial confirmation and the book value of the assets is adjusted. The balance of the related deferred income is reduced to the account balance of the related deferred income which is included in the current profit and loss. If there is no related deferred income, directly included in the profit and loss of the current period.

(XXXIV) Deferred tax assets/Deferred tax liabilities

Deferred tax assets and deferred liabilities are recognized based on the differences (temporary differences) between tax bases and the carrying amount of the assets and liabilities. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or liability is settled.

1. Basis for recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference and deduct loss and tax deduction for the year after the end of the year. However, deferred income tax assets resulting from the initial confirmation of assets or liabilities in a transaction with the following characteristics are not recognized: (1) The transaction is not an enterprise merger. (2) The transaction does not affect the accounting profit and the taxable income or the deductible loss as well.

For deductible temporary differences related to investments in associated enterprises, where the following conditions are met, the corresponding deferred tax assets are recognized: the temporary difference is likely to be reversed in the foreseeable future and the taxable income used to offset the deductible temporary difference is likely to be obtained in the future.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXIV) Deferred tax assets/Deferred tax liabilities (Continued)

2. Basis for recognizing deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(1) the initial recognition of goodwill; or

(2) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or

(3) for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements the parent, investor, joint venture or joint operator is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

3. The Company shall offset deferred tax assets and deferred tax liabilities if, and only if:

(1) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(XXXV) Lease

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. Separating components of a contract

For a contract that contains more than one lease component, the Company separates the components and accounts for each lease component separately.

For a contract that is, or contains, a lease, the Company shall account for each lease component within the contract as a lease separately from non-lease components of the contract. The lease components shall be accounted for in accordance with the lease standards, and the non-lease components shall be accounted for in accordance with other applicable accounting standards for business enterprises.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXV) Lease (Continued)

2. Combination of contracts

The Company shall combine two or more contracts entered into at or near the same time with the same counterparty (or related parties of the counterparty), and account for the contracts as a single contract if one or more of the following criteria are met:

(1) the contracts are negotiated as a package with an overall commercial objective that cannot be understood without considering the contracts together;

(2) the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or

(3) the rights to use underlying assets conveyed in the contracts (or some rights to use underlying assets conveyed in each of the contracts) form a single lease component.

3. The Company as lessee

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

The Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option. The Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new.

4. The Company as lessor

(1) Classification of leases

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating.

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

1) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;

2) the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised;

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXV) Lease (Continued)

4. The Company as lessor (Continued)

(1) Classification of leases (Continued)

3) the lease term is for the major part of the economic life of the underlying asset even if title is not transferred;

4) at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset; and

5) the underlying asset is of such a specialized nature that only the lessee can use it without major modifications.

Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:

1) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;

2) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and

3) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

(2) Accounting for finance lease

At the commencement date, a lessor shall recognize assets held under a finance lease in its statement of financial position and present them as a receivable and terminates the recognition of the financial lease assets.

The initial amount of finance lease receivables equals to the net investment in the lease, that is the gross investment in the lease discounted at the interest rate implicit in the lease. The lease payment includes:

1) fixed payments (including in-substance fixed payments), less any lease incentives payable;

2) variable lease payments that depend on an index or a rate;

3) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering the factors);

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXV) Lease (Continued)

4. The Company as lessor (Continued)

(2) Accounting for finance lease (Continued)

4) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and

5) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

The Company calculates and recognizes interest income for each period of the lease period at a fixed lease inclusion rate, and variable lease payments made that are not included in the net lease investment measurement are recorded in the profit or loss of the current period when actually incurred.

(3) Accounting for operating leases

A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. A lessor shall add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income. The variable lease payments made in connection with the operating lease that are not included in the lease collection amount are included in the profit or loss of the current period when they actually occur.

(XXXVI) Discontinued operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and

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

(2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

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

Operating gains and losses such as impairment losses and reversal amount of discontinued operations and gains and losses on disposal are shown in the income statement as gains or losses on discontinued operations.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXVII) Hedging accounting

The Company applies hedge accounting to hedging relationships that meet the qualifying criteria. There are three types of hedging relationships, including fair value hedge, cash flow hedge, hedge of a net investment in a foreign operation.

1. A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

(1) the hedging relationship consists only of eligible hedging instruments and eligible hedged items.

(2) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge.

(3) the hedging relationship meets the hedge effectiveness requirements.

The hedging relationship meets all of the following hedge effectiveness requirements:

(1) there is an economic relationship between the hedged item and the hedging instrument. This economic relationship causes the hedging instrument and the hedged item to change in opposite directions due to the same hedged risk;

(2) the effect of credit risk does not dominate the value changes that result from that economic relationship; and

(3) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXVII) Hedging accounting (Continued)

2. Fair value hedges accounting

(1) the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument for which the Company has elected to present changes in fair value in other comprehensive income).

(2) the hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognized in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognized in profit or loss. However, if the hedged item is an equity instrument for which the Company has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognized firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognized as an asset or a liability with a corresponding gain or loss recognized in profit or loss.

When a hedged item in a fair value hedge is a firm commitment (or a component thereof) to acquire an asset or assume a liability, the initial carrying amount of the asset or the liability that results from the Company meeting the firm commitment is adjusted to include the cumulative change in the fair value of the hedged item that was recognized in the statement of financial position.

(3) Any adjustment arising from above shall be amortized to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortized cost. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for hedging gains and losses. The amortization is based on a recalculated effective interest rate at the date that amortization begins. In the case of a financial asset (or a component thereof) that is a hedged item and that is measured at fair value through other comprehensive income, amortization applies in the same manner but to the amount that represents the cumulative gain or loss previously recognized instead of by adjusting the carrying amount.

3. Cash flow hedges accounting

(1) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following:

1) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

2) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXVII) Hedging accounting (Continued)

3. Cash flow hedges accounting (Continued)

(2) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)) shall be recognized in other comprehensive income.

(3) the amount that has been accumulated in the cash flow hedge reserve shall be accounted for as follows:

1) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability.

2) for cash flow hedges other than those covered by 1), that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

3) however, if that amount is a loss and the Company expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment

4. Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges:

(1) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income.

The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in the foreign currency translation reserve shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

(2) the ineffective portion shall be recognized in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXVII) Hedging accounting (Continued)

5. End of application

The Company shall prospectively cease applying to a hedged item if it met one of the following conditions:

(1) Due to changes in risk management objectives, the hedging relationship no longer satisfies the risk management objectives;

(2) The hedging instrument has expired, been sold, terminated or exercised;

(3) The impact of credit risk begins to dominate in the economic relationship between the hedged project and the hedging instrument, or in the change in value generated by the economic relationship between the hedged project and the hedging instrument;

(4) The hedging relationship no longer satisfies other conditions for the use of hedge accounting methods as set out in this Standard. Where hedging relationship rebalancing applies, an enterprise should first consider the rebalancing of hedging relationships and then assess whether the hedging relationship satisfies the conditions for the use of hedging accounting methods as set out in this Standard.

Cessation of hedge accounting may affect the whole or part of the hedge relationship, and if only one part of it is affected, the remaining unaffected portion still applies to hedge accounting.

6. Option to designate a credit exposure as measured at fair value

If the Company uses a credit derivative that is measured at fair value through profit or loss to manage the credit risk of all, or a part of, a financial instrument (credit exposure) it may designate that financial instrument to the extent that it is so managed (i.e. all or a proportion of it) as measured at fair value through profit or loss if:

(1) the name of the credit exposure (for example, the borrower, or the holder of a loan commitment) matches the reference entity of the credit derivative; and

(2) the seniority of the financial instrument matches that of the instruments that can be delivered in accordance with the credit derivative.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXXVIII) Significant changes in accounting policies and estimates

1. Changes in accounting policies

(1) The impact of the implementation of interpretation No.15 of Accounting Standards for Business Enterprises

On 31 December 2021, the Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) (hereinafter referred to as "Interpretation No. 15"). Interpretation No. 15 regulates the "accounting treatment of external sales of products or by-products produced before the fixed assets are ready for their intended use or during the research and development process" (hereinafter referred to as "trail sale"), as well as "the judgment on onerous contracts", which came into effect from 1 January 2022.

The Company has implemented Interpretation No. 15 since the effective date, and the Implementation Interpretation No. 15 has no material impact on the financial statements during the reporting period.

(2) The impact of the implementation of interpretation No.16 of Accounting Standards for Business Enterprises

According to the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16") published by the Ministry of Finance on 13 December 2022, among the accounting treatment for three items: "accounting treatment for deferred tax related to assets and liabilities arising from a single transaction that does not apply to the initial recognition exemption" came into effect on 1 January 2023, which allows enterprises to apply earlier from the year of publication and has not been early applied by the Company during the year; while "accounting treatment for income tax effects of dividends on financial instruments classified as equity instruments by the issuer" and "accounting treatment for the revision of cash-settled share-based payment to equity-settle share-based payment" shall take effect from the date of publication.

The Company has implemented Interpretation No. 16 since the effective date, and the Implementation Interpretation No. 16 has no material impact on the financial statements during the reporting period.

2. Changes in accounting estimates

No accounting estimates were changed during the reporting period.

V. TAXES

(I) Main categories of tax and tax rates

Taxes	Tax basis	Tax rate	Notes
Value-added tax (VAT)	Domestic sales: Processing services	13%	
	Water rate; Gas fees; Rent	9%	
	Property management services	6%	
	Simple Tax Computation	5% or 3%	
Property tax	70% of the original value of the property (or rental income)	1.2% (for property value) 12% (for rental income)	
Urban land use tax	Land area actually occupied	6 yuan/m^2, 8 yuan/m^2	
Resource tax	Water actually consumed	2.69/m^3	
Business income tax	Taxable income	15%, 25%	
Urban maintenance and construction tax	Turnover tax actually paid	7%	
Education surcharge	Turnover tax actually paid	3%	
Local education surcharge	Turnover tax actually paid	2%	

Different enterprise income tax rates applicable to different taxpayers:

Taxpayer	Tax rate
Chengdu SIWI Science and Technology Company Limited	15%
Chengdu SEI Optical Fiber Co., Ltd	15%
Chengdu PUTIAN New Material Co., Ltd	25%

V. TAXES (CONTINUED)

(II) The preferential tax policy and the basis

1. According to the "Policy and Measures to Alleviate the Production and Operation Difficulties of Small and Medium Enterprises in Response to the COVID-19 Pandemic Issued by General Office of the People's Government of Sichuan Province" (Chuanbanfa [2020] No. 10), small and medium enterprises that have suffered significant losses due to the pandemic and whose normal production and operation activities have been significantly affected, and who have genuine difficulties in paying housing property tax and urban land use tax, may apply for exemption from housing property tax and urban land use tax during the COVID-19 pandemic. In order to implement the preferential policies on housing and land taxes during the COVID-19 pandemic, the Sichuan Provincial Tax Service, State Taxation Administration and the Sichuan Provincial Finance Department issued the "Announcement on Matters Relating to the Continued Exemption from Housing Property Tax and Urban Land Use Tax during the Pandemic" (Announcement No.2 of the Sichuan Provincial Tax Service, State Taxation Administration in 2021) on 30 April 2021, and the Company continued to enjoy the tax reduction and exemption of housing and land taxes during the COVID-19 pandemic in 2022.

2. The Company obtained the High-tech Enterprise Certificate jointly issued by the Science and Technology Department of Sichuan Province, the Sichuan Provincial Department of Finance and the Sichuan Provincial Taxation Bureau of the State Administration of Taxation on 15 December 2021, with a validity period of 3 years, and the certificate number is GR202151003385. The enterprise income tax will be paid at a reduced tax rate of 15% from 2021 to 2023.

   Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company, obtained the High- tech Enterprise Certificate on 11 September 2020, jointly issued by the Science & Technology Department of Sichuan Province, the Sichuan Provincial Finance Department and the Sichuan Provincial Tax Service, State Taxation Administration, with a validity period of 3 years. The certificate number is GR202051001074. The enterprise income tax will be paid at a reduced tax rate of 15% from 2020 to 2022.

(III) Other notes

Employee's individual income tax is withheld and paid by the company.

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

(The following amounts are in RMB unless otherwise specified, the opening balances are all as of 1 January 2022)

Note 1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	**1,317.45**	5,084.13
Cash in bank	**485,287,363.00**	478,180,134.59
Other cash and bank balance	**79,501.01**	181,705.59
Total	**485,368,181.46**	478,366,924.31
Including: Overseas cash and bank balance		

The details of restricted cash and bank balances are as follows:

Items	Closing balance	Opening balance
L/C guarantee deposit	**79,501.01**	181,705.59
Fixed deposit that used for pledge	**6,104,990.31**	6,012,895.00
Total	**6,184,491.32**	6,194,600.59

As of 31 December 2022, the reasons for the restricted cash and bank balances of the Company are detailed in Section VI (Note 51). Except for the restricted cash and bank balances mentioned above, the Company does not have funds deposited overseas or other funds with potential recovery risks.

Note 2. Notes receivable

1. Details of notes receivable on categories

Items	Closing balance	Opening balance
Bank acceptance		
Trade acceptance		1,961,545.37
Subtotal		1,961,545.37
Less: Provision for bad debts		650,823.05
Total		1,310,722.32

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 2. Notes receivable (Continued)

2. Details of notes receivable with provision for bad debts on categories

	Opening balance				
	Book balance		Provision for bad debts		
Categories	Amount	% to total	Amount	Provision proportion (%)	Carrying amount
Notes receivable with provision made on an individual basis					
Notes receivable with provision made on a collective basis	1,961,545.37	100.00	650,823.05	33.18	1,310,722.32
Including: Trade acceptance	1,961,545.37	100.00	650,823.05	33.18	1,310,722.32
Total	1,961,545.37	100.00	650,823.05	33.18	1,310,722.32

3. Changes in provision for bad debts in current period

		Changes				
Categories	**Opening balance**	**Accrual**	**Recovery or reversal**	**Write-off**	**Others**	**Closing balance**
Notes receivable with provision made on an individual basis						
Notes receivable with provision made on a collective basis	650,823.05		631,821.74		19,001.31	
Including: Trade acceptance	650,823.05		631,821.74		19,001.31	
Total	650,823.05		631,821.74		19,001.31	

4. No pledged notes at the balance sheet date

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 2. Notes receivable (Continued)

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	**21,848,758.16**	
Total	**21,848,758.16**	

Due to the fact that the acceptor of bank acceptance is commercial banks with high credit level, and bank acceptances are less likely to be disbursed when they mature, the Company will terminate the endorsed or discounted bank acceptance. However, if such notes are not paid when they mature, the Company will still be jointly and severally liable to the bearer under The Negotiable Instruments Act.

6. Notes transfer to accounts receivable due to non-performance of the drawer during the end of the period

Items	Transfer to accounts receivable
Bank acceptance	27,710.82
Total	27,710.82

Note 3. Accounts receivable

1. Details of accounts receivable with age analysis method

Ages	Closing balance	Opening balance
Within 1 year	**72,738,527.65**	58,386,413.63
1–2 years	**4,786,470.42**	2,353,670.48
2–3 years	**923,765.73**	6,527,124.13
Over 3 years	**33,845,082.26**	51,202,542.82
Subtotal	**112,293,846.06**	118,469,751.06
Less: Provision for bad debts	**33,363,605.57**	55,485,794.34
Total	**78,930,240.49**	62,983,956.72

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 3. Accounts receivable (Continued)

2. Details of accounts receivable with provision for bad debts on categories

Categories	Closing balance: Book balance: Amount	Book balance: % to total	Provision for bad debts: Amount	Provision for bad debts: Provision proportion (%)	Carrying amount
Receivable with provision made on an individual basis	**26,382,456.98**	**23.49**	**26,318,007.79**	**99.76**	**64,449.19**
Receivable with provision Made on a collective basis	**85,911,389.08**	**76.51**	**7,045,597.78**	**8.20**	**78,865,791.30**
Including: Related party portfolio	**37,287,236.41**	**33.21**	**186,436.19**	**0.50**	**37,100,800.22**
Non-related party portfolio	**48,624,152.67**	**43.30**	**6,859,161.59**	**14.11**	**41,764,991.08**
Total	**112,293,846.06**	**100.00**	**33,363,605.57**	**29.71**	**78,930,240.49**

Continued:

Categories	Opening balance: Book balance: Amount	Book balance: % to total	Provision for bad debts: Amount	Provision for bad debts: Provision proportion (%)	Carrying amount
Receivable with provision made on an individual basis	46,978,797.08	39.65	46,978,797.08	100.00	
Receivable with provision made on a collective basis	71,490,953.98	60.35	8,506,997.26	11.90	62,983,956.72
Including: Related party portfolio	1,470,735.61	1.24	7,353.67	0.50	1,463,381.94
Non-related party portfolio	70,020,218.37	59.11	8,499,643.59	12.14	61,520,574.78
Total	118,469,751.06	100.00	55,485,794.34	46.84	62,983,956.72

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 3. Accounts receivable (Continued)

3. Accounts receivable with provision made on an individual basis

	Closing balance			
Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
KAB/VOLEX KABKableprektion	**2,058,597.74**	**2,058,597.74**	**100.00**	Not expect to be recoverable
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	**1,985,718.44**	**1,985,718.44**	**100.00**	Not expect to be recoverable
Shenyang Hengyuanda Communication Equipment Co., Ltd	**1,621,814.62**	**1,621,814.62**	**100.00**	Not expect to be recoverable
Sichuan Chuandong Electromechanical Equipment Installation Company	**1,606,692.41**	**1,606,692.41**	**100.00**	Not expect to be recoverable
Chongqing Xiongying Communication Co., Ltd	**1,414,724.47**	**1,414,724.47**	**100.00**	Not expect to be recoverable
Yiwu Zhihaoda E-commerce Co., Ltd	**1,344,969.65**	**1,344,969.65**	**100.00**	Not expect to be recoverable
Hangzhou Hanyi Plastic Pipe Materials Co., Ltd.	**1,156,614.94**	**1,156,614.94**	**100.00**	Not expect to be recoverable
China National Postal & Telecommunications Appliance Middle &South CORP	**1,116,797.27**	**1,116,797.27**	**100.00**	Not expect to be recoverable
Yantai Cable Factory	**104,491.95**	**40,042.76**	**38.32**	Bankruptcy reorganization (the amount of the provision determined according to the draft reorganization plan approved by the court order)
Others 156 companies	**13,972,035.49**	**13,972,035.49**	**100.00**	Not expect to be recoverable
Total	**26,382,456.98**	**26,318,007.79**	**–**	

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 3. Accounts receivable (Continued)

4. Accounts receivable with provision made on a collective basis

(1) Related party portfolio

Age	Closing balance Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	36,818,122.19	184,090.62	0.50
1–2 years	130,000.00	650.00	0.50
2–3 years	214,800.60	1,074.00	0.50
Over 3 years	124,313.62	621.57	0.50
Total	37,287,236.41	186,436.19	0.50

(2) Non-related party portfolio

Age	Closing balance Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	35,920,405.46	656,072.67	1.83
1–2 years	4,551,978.47	944,535.53	20.75
2–3 years	708,965.13	309,392.38	43.64
Over 3 years	7,442,803.61	4,949,161.01	66.50
Total	48,624,152.67	6,859,161.59	14.11

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 3. Accounts receivable (Continued)

5. Changes in provision for bad debts

Categories	Opening balance	Changes: Accrual	Changes: Recovery or reversal	Changes: Write-off	Changes: Others	Closing balance
Receivable with provision made on an individual basis	46,978,797.08	62,336.06	464,475.42	20,258,649.93		26,318,007.79
Receivable with provision made on a collective basis	8,506,997.26	179,082.52	1,640,482.00			7,045,597.78
Including: Related party portfolio	7,353.67	179,082.52				186,436.19
Non-related party portfolio	8,499,643.59		1,640,482.00			6,859,161.59
Total	55,485,794.34	241,418.58	2,104,957.42	20,258,649.93		33,363,605.57

Including: The details of significant bad debt recovery or reversal are as follows:

Debtors	Recovery or reversal amount	Recovery or reversal method
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	464,475.42	Liquidation of debts
Total	464,475.42	

6. Write-off accounts receivable in current period

Items	Write-off amount
Write-off Accounts Receivables	20,258,649.93

Significant write-offs of accounts receivable are as follows:

Debtors	Nature of accounts receivable	Write-off amount	Write-off reason	The verification procedures performed	Whether generated by connected party transactions
Chengdu Optical Communication Network Development Co., Ltd and other 211 companies	Payment for goods	20,258,649.93	Unrecoverable	Board resolution	No
Total	–	20,258,649.93	–	–	–

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 3. Accounts receivable (Continued)

7. Details of the top 5 debtors with largest balances

Debtors	Closing balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Chengdu SIWI High-Tech Industrial Co,Ltd.	**35,940,319.55**	**32.01**	**179,701.60**
Zhuzhou CRRC Times Electric Co., Ltd.	**4,051,701.14**	**3.61**	**119,930.35**
Twemtsche (Nanjing) Fibre Optics LTD	**3,566,304.00**	**3.18**	**17,831.52**
CRRC Ziyang Co., Ltd.	**3,031,432.54**	**2.70**	**1,189,970.65**
Zhongtian Technology Fibre Optics Co., Ltd	**2,885,212.20**	**2.56**	**14,426.06**
Total	**49,474,969.43**	**44.06**	**1,521,860.18**

Note 4. Receivables financing

Items	Closing balance	Opening balance
Bank acceptance	**76,003,141.78**	80,904,604.71
Total	**76,003,141.78**	80,904,604.71

(1) The company often endorses bank acceptances. Its business model is to collect cash flow from contract as well as sell the financial assets as the target, and it is listed as "receivables financing". The final endorsement of bank acceptances before maturity is terminated.

(2) After evaluation, the Company believes that there is no significant credit risk in the bank acceptances held during the reporting period and no significant loss will occur due to the acceptor's default.

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 5. Advance to suppliers

1. Details of advance to suppliers with age analysis method

	Closing balance		Opening balance	
Age	Amount	Proportion to total (%)	Amount	Proportion to total (%)
Within 1 year	**7,222,882.18**	**98.14**	2,804,548.64	94.20
2–3 years			16,277.22	0.55
Over 3 years	**136,529.08**	**1.86**	156,319.08	5.25
Total	**7,359,411.26**	**100.00**	2,977,144.94	100.00

2. Details of the top 5 debtors with largest balances

Debtors	Closing balance	Proportion to the total balance of advance to suppliers	Reasons
Sumiden Asia (Shenzhen) Co. Ltd	**4,843,036.84**	**65.81**	**No settlement**
Sumitomo Electric Asia Ltd.	**711,362.69**	**9.67**	**No settlement**
State Grid Sichuan Electric Power Company	**469,672.15**	**6.38**	**No settlement**
Deyang Hexing Copper Trading Co., Ltd.	**290,000.00**	**3.94**	**No settlement**
Heraeus (Shenyang) Special Light Source Co., Ltd	**183,936.06**	**2.50**	**No settlement**
Total	**6,498,007.74**	**88.30**	

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 6. Other receivables

Items	Closing balance	Opening balance
Interests receivables		
Dividends receivable		
Other receivables	**3,819,556.49**	35,401,837.91
Total	**3,819,556.49**	35,401,837.91

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

Other receivables

1. Details of other receivables with age analysis method

Age	Closing balance	Opening balance
Within 1 year	**724,579.50**	32,746,329.08
1–2 years	**342,872.45**	2,324,650.66
2–3 years	**821,707.90**	109,601.88
3–4 years	**83,544.48**	94,766.82
4–5 years	**94,766.82**	99,350.65
Over 5 years	**26,647,912.36**	28,889,710.18
Subtotal	**28,715,383.51**	64,264,409.27
Less: Provision for bad debts	**24,895,827.02**	28,862,571.36
Total	**3,819,556.49**	35,401,837.91

2. Details of other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Temporary advance payment receivable	**24,906,170.36**	23,609,228.17
Deposit, reserve and assurance	**3,809,213.15**	9,325,031.10
Equity transfer payment		31,330,150.00
Subtotal	**28,715,383.51**	64,264,409.27
Less: Provision for bad debts	**24,895,827.02**	28,862,571.36
Total	**3,819,556.49**	35,401,837.91

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 6. Other receivables (Continued)

3. Details of other receivable with impairment three phase

	Closing balance			Opening balance		
Items	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Phase I	3,838,750.24	19,193.75	3,819,556.49	35,579,737.07	177,899.16	35,401,837.91
Phase II						
Phase III	24,876,633.27	24,876,633.27		28,684,672.20	28,684,672.20	
Total	28,715,383.51	24,895,827.02	3,819,556.49	64,264,409.27	28,862,571.36	35,401,837.91

4. Details of accounts receivable with provision for bad debts on categories

	Closing balance				
	Book balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
Receivable with provision made on an individual basis	3,248,940.91	11.31	3,248,940.91	100.00	
Receivable with provision made on a collective basis	25,466,442.60	88.69	21,646,886.11	85.00	3,819,556.49
Including: Portfolio grouped with deposit, reserve and assurance of non-related party	2,170,634.33	7.56	1,044,224.95	48.11	1,126,409.38
Portfolio grouped with related party	1,959,272.09	6.82	9,796.36	0.50	1,949,475.73
Others	21,336,536.18	74.31	20,592,864.80	96.51	743,671.38
Total	28,715,383.51	100.00	24,895,827.02	86.70	3,819,556.49

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 6. Other receivables (Continued)

4. Details of accounts receivable with provision for bad debts on categories (Continued)

Continued:

	Opening balance				
	Book balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
Receivable with provision made on an individual basis	4,320,646.95	6.72	4,320,646.95	100.00	
Receivable with provision made on a collective basis	59,943,762.32	93.28	24,541,924.41	40.94	35,401,837.91
Including: Portfolio grouped with deposit, reserve and assurance of non-related party	7,588,202.28	11.81	5,896,390.91	77.70	1,691,811.37
Portfolio grouped with related party	1,807,995.98	2.81	9,040.45	0.50	1,798,955.53
Others	50,547,564.06	78.66	18,636,493.05	36.87	31,911,071.01
Total	64,264,409.27	100.00	28,862,571.36	44.91	35,401,837.91

5. Other receivable with provision made on an individual basis

	Closing balance			
Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
XIA Chade	3,000,000.00	3,000,000.00	100.00	Aged receivables, not expect to be recoverable
Chengdu Peak Power Supply Co., Ltd.	248,940.91	248,940.91	100.00	Aged receivables, not expect to be recoverable
Total	3,248,940.91	3,248,940.91	–	

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 6. Other receivables (Continued)

6. Other receivable with provision made on a collective basis

Categories	Closing balance Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with deposit, reserve and assurance of non-related party	**2,170,634.33**	**1,044,224.95**	**48.11**
Portfolio grouped with related party	**1,959,272.09**	**9,796.36**	**0.50**
Others	**21,336,536.18**	**20,592,864.80**	**96.51**
Total	**25,466,442.60**	**21,646,886.11**	**85.00**

7. Changes in provision for bad debts

Provision for bad debts	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses (credit not impaired)	Phase III Lifetime expected credit losses (credit impaired)	Total
Opening balance	177,899.16		28,684,672.20	28,862,571.36
Opening balance in the current period				
— Transferred to phase II				
— Transferred to phase III				
— Reversed to phase II				
— Reversed to phase I				
Provision made in the current period	17,771.21		19,490.00	37,261.21
Provision recovered in current period	162,085.00			162,085.00
Provision reversed in current period				
Provision write off in current period	14,391.62		3,827,528.93	3,841,920.55
Other changes				
Closing balance	19,193.75		24,876,633.27	24,895,827.02

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 6. Other receivables (Continued)

8. Write-off Other receivables in current period

Items	Write-off amount
Write-off Other Receivables	3,841,920.55

The important other receivable write-off is as follows:

Debtors	Nature of accounts receivable	Written-off amount	Written-off reason	The verification procedures performed	Whether generated by connected party transactions
Beijing Hongfei Communication Co. Ltd and other 34 companies	Account current	3,841,920.55	Unrecoverable	Board resolution	No
Total	–	3,841,920.55	–	–	–

9. Details of the top 5 debtors with large balances

Debtors	Nature of receivables	Closing balance	Age	Proportion to the total balance of other receivables	Provision for bad debts
Tazishan Material Factory	Temporary payment receivable	8,391,138.00	Over 5 years	29.22	8,391,138.00
Soundtek Technology (Suzhou) Co., Ltd.	Security deposit	4,786,324.75	Over 5 years	16.67	4,786,324.75
Shenzhen Fuyu Industrial Co., Ltd	Temporary payment receivable	3,566,915.53	Over 5 years	12.42	3,566,915.53
XIA Chade	Temporary payment receivable	3,000,000.00	Over 5 years	10.45	3,000,000.00
China Potevio Company Limited	Security deposit	1,786,828.82	Over 5 years	6.22	8,934.14
Total		21,531,207.10		74.98	19,753,312.42

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 7. Inventories

1. Details

Items	Closing balance Book balance	 Provision for write-down	 Carrying amount	Opening balance Book balance	 Provision for write-down	 Carrying amount
Raw materials	**49,704,697.67**	**4,334,681.84**	**45,370,015.83**	14,482,744.40	1,277,052.95	13,205,691.45
Work in process	**11,221,373.33**	**1,314,981.35**	**9,906,391.98**	5,556,998.16	1,194,517.26	4,362,480.90
Goods on hand	**37,396,593.34**	**1,535,044.58**	**35,861,548.76**	22,512,746.16	1,938,639.72	20,574,106.44
Delivered goods	**10,727,208.42**	**7,234,531.23**	**3,492,677.19**	18,491,536.72	9,030,395.01	9,461,141.71
Total	**109,049,872.76**	**14,419,239.00**	**94,630,633.76**	61,044,025.44	13,440,604.94	47,603,420.50

2. Provision for inventory write-down

Items	Opening balance	Increase Accrual	 Others	Decrease Recovery	 Reversal	 Others	Closing balance
Raw materials	1,277,052.95	3,057,871.13			242.24		**4,334,681.84**
Work in process	1,194,517.26	1,061,168.14			940,704.05		**1,314,981.35**
Goods on hand	1,938,639.72	1,029,045.80			1,432,640.94		**1,535,044.58**
Delivered goods	9,030,395.01	23,417.34			1,819,281.12		**7,234,531.23**
Total	13,440,604.94	5,171,502.41			4,192,868.35		**14,419,239.00**

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 7. Inventories (Continued)

2. Provision for inventory write-down (Continued)

Note to provision for inventory write-down:

The provision for impairment in this period is mainly due to the price decline of some products, resulting that the realized value of some raw materials, semi-finished goods and work in process, inventory decline. Meanwhile, the aging stock, obsolete model, technology and market demand changes of some raw materials and finished products, resulting the net realizable value of part of the inventory decreases. Determination basis of net realizable value and reasons for the reversal or write-off of provision for inventory write-down

Items	Determination basis of net realizable value	Reasons for reversal of provision for inventory write-down	Reasons for write-off of provision for inventory write-down
Raw materials	Estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and relevant taxes and surcharges	Not yet reversed	Inventories with provision for inventory write-down made in preceding period were used in current period
Work in process	Estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and relevant taxes and surcharges	Not yet reversed	Inventories with provision for inventory write-down made in preceding period were used produced as finished products in current period
Goods on hand	Estimated selling price of relevant finished goods less estimated selling expenses, and relevant taxes and surcharges	Not yet reversed	Inventories with provision for inventory write-down made in preceding period were sold in current period

Note 8. Other current assets

Items	Closing balance	Opening balance
VAT Input Tax to be Certified	**5,812,246.89**	4,315,948.74
Pending property gains and losses		47,455.84
Prepaid tax		3,602.96
Total	**5,812,246.89**	4,367,007.54

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 9. Debt investments

1. Details

Items	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carry amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carry amount
Corporate bond	**60,000.00**	**60,000.00**		60,000.00	60,000.00	
Subtotal	**60,000.00**	**60,000.00**		60,000.00	60,000.00	
Less: Debt investment due within 1 year						
Total	**60,000.00**	**60,000.00**		60,000.00	60,000.00	

2. Provision for impairment of debt investments

Provision for impairment	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses (credit not impaired)	Phase III Lifetime expected credit losses (credit impaired)	Total
Opening balance			60,000.00	60,000.00
Opening balance in the current period				
— Transferred to phase II				
— Transferred to phase III				
— Reversed to phase II				
— Reversed to phase I				
Provision made in the current period				
Provision recovered in current period				
Provision reversed in current period				
Provision write off in current period				
Other changes				
Closing balance			60,000.00	60,000.00

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 10. Long-term equity investments

Investees	Opening balance	Increase/Decrease: Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Including: Putian Fasten Cable Telecommunication Co., Ltd.	40,952,696.28			–6,095,498.59	
Chengdu Bada Socket Connector Co., Ltd.	4,801,541.53			–1,953,000.12	
Chengdu Yuexin Communication Materials Co., Ltd	172,656.37				
Chengdu Cable Material Factory	125,903.35				
Total	46,052,797.53			–8,048,498.71	

Continued:

Investees	Increase/Decrease: Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Associates						
Including: Putian Fasten Cable Telecommunication Co., Ltd.					34,857,197.69	
Chengdu Bada Socket Connector Co., Ltd.					2,848,541.41	
Chengdu Yuexin Communication Materials Co., Ltd					172,656.37	172,656.37
Chengdu Cable Material Factory					125,903.35	125,903.35
Total					38,004,298.82	298,559.72

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 11. Other equity instrument investments

1. Details

Items	Closing balance	Opening balance
Chengdu High-tech Development Co., Ltd	**5,627,988.00**	5,607,816.00
Total	**5,627,988.00**	5,607,816.00

2. Notes

The Company's equity instrument investment is a long-term investment that the Company plans to hold for strategic purposes. Meanwhile, the Company designates it as a financial asset measured at fair value through other comprehensive income.

Note 12. Investment property

1. Details

Items	Buildings and structures	Total
Cost		
1. Opening balance	116,519,091.72	116,519,091.72
2. Increase	13,569,101.37	13,569,101.37
Transferred from fixed assets	13,569,101.37	13,569,101.37
3. Decrease		
4. Closing balance	130,088,193.09	130,088,193.09
Accumulated depreciation and amortization		
1. Opening balance	49,082,764.00	49,082,764.00
2. Increase	10,030,609.82	10,030,609.82
Accrual	3,535,085.60	3,535,085.60
Transferred from fixed assets	6,495,524.22	6,495,524.22
3. Decrease		
Transferred to fixed assets		
4. Closing balance	59,113,373.82	59,113,373.82
Provision for impairment		
Carrying amount		
1. Closing balance	70,974,819.27	70,974,819.27
2. Opening balance	67,436,327.72	67,436,327.72

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 12. Investment property (Continued)

2. Investment property with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	39,571,920.00	Still work in process, fire acceptance has not yet passed, and the property right certificate is in process
Total	39,571,920.00	

Note 13. Fixed assets

Items	Closing balance	Opening balance
Fixed assets	**116,410,967.30**	137,317,016.07
Liquidation of fixed assets		
Total	**116,410,967.30**	137,317,016.07

Note: The fixed assets in the above table refer to the fixed assets after deducting the liquidation of fixed assets.

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 13. Fixed assets (Continued)

1. Details

Items	Buildings and structures	General equipment	Transport facilities	Other equipment	Subtotal/ Total
Cost					
1. Opening balance	143,864,407.16	291,077,789.33	4,117,622.85	20,514,097.29	459,573,916.63
2. Increase		1,283,715.75		48,506.89	1,332,222.64
Reclassification					
Acquisition		338,298.27		48,506.89	386,805.16
Transferred in from constructing progress		945,417.48			945,417.48
3. Decrease	14,045,706.92				14,045,706.92
Reclassification	13,569,101.37				13,569,101.37
Disposal/Scrapping					
Others	476,605.55				476,605.55
4. Closing balance	129,818,700.24	292,361,505.08	4,117,622.85	20,562,604.18	446,860,432.35
Accumulated depreciation					
1. Opening balance	68,440,410.94	221,461,239.40	3,802,651.00	16,756,309.92	310,460,611.26
2. Increase	4,849,883.69	8,722,011.36	81,679.49	1,034,514.17	14,688,088.71
Reclassification					
Accrual	4,849,883.69	8,722,011.36	81,679.49	1,034,514.17	14,688,088.71
3. Decrease	6,495,524.22				6,495,524.22
Reclassification	6,495,524.22				6,495,524.22
Disposal/Scrapping					
Others					
4. Closing balance	66,794,770.41	230,183,250.76	3,884,330.49	17,790,824.09	318,653,175.75
Provision for impairment					
1. Opening balance	166,865.16	11,591,287.11		38,137.03	11,796,289.30
2. Increase					
Accrual					
3. Decrease					
Disposal/Scrapping					
Others					
4. Closing balance	166,865.16	11,591,287.11		38,137.03	11,796,289.30
Carrying amount					
1. Closing balance	62,857,064.67	50,586,967.21	233,292.36	2,733,643.06	116,410,967.30
2. Opening balance	75,257,131.06	58,025,262.82	314,971.85	3,719,650.34	137,317,016.07

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 13. Fixed assets (Continued)

2. Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	16,846,644.69	Fire acceptance has not yet passed, and the property right certificate will be issued after the fire acceptance.
Total	16,846,644.69	

Note 14. Construction in progress

Items	Closing balance	Opening balance
Construction in progress	**813,523.02**	775,646.90
Materials		
Total	**813,523.02**	775,646.90

Note: The construction in progress in the above table refers to the construction in progress after deducting materials.

1. Details

	Closing balance			Opening balance		
Projects	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Comprehensive technical transformation	**6,576,797.90**	**6,465,497.90**	**111,300.00**	6,576,797.90	6,465,497.90	111,300.00
Aluminium rod production line	**3,499,183.32**	**3,243,576.02**	**255,607.30**	3,499,183.32	3,243,576.02	255,607.30
Aluminium rolling 01	**1,188,820.65**	**780,081.05**	**408,739.60**	1,188,820.65	780,081.05	408,739.60
Sporadic Projects	**37,876.12**		**37,876.12**			
Total	**11,302,677.99**	**10,489,154.97**	**813,523.02**	11,264,801.87	10,489,154.97	775,646.90

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 14. Construction in progress (Continued)

2. Changes in significant projects

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Comprehensive technical transformation	6,576,797.90				6,576,797.90
Aluminium rod production line	3,499,183.32				3,499,183.32
Aluminium rolling 01	1,188,820.65				1,188,820.65
Equipment under installation		945,417.48	945,417.48		
Sporadic Projects		37,876.12			37,876.12
Total	11,264,801.87	983,293.60	945,417.48		11,302,677.99

Continued:

Projects	Budget (10,000 yuan)	Accumulated input to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Including: Amount of borrowing cost capitalization in current period	Annual capitalization (%)	Fund source
Comprehensive technical transformation	700.00	93.95	100.00				Self-raising
Aluminium rod production line	450.00	77.76	75.00				Self-raising
Aluminium rolling 01	120.00	99.01	100.00				Self-raising
Equipment under installation	94.54	100.00	100.00				Self-raising
Sporadic Projects	17.00	22.28	20.00				Self-raising
Total	1,381.54	–	–	–	–	–	

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 15. Intangible assets

Items	Land use right	Patent right	Non-patent technology	Others	Total
Cost					
1. Opening balance	44,270,385.35	1,071,672.28	6,759,683.36	224,388.02	52,326,129.01
2. Increase					
3. Decrease					
4. Closing balance	44,270,385.35	1,071,672.28	6,759,683.36	224,388.02	52,326,129.01
Accumulated amortization					
1. Opening balance	11,741,343.53	1,071,672.28	6,759,683.36	186,815.23	19,759,514.40
2. Increase	910,561.92			12,524.28	923,086.20
Accrual	910,561.92			12,524.28	923,086.20
3. Decrease					
4. Closing balance	12,651,905.45	1,071,672.28	6,759,683.36	199,339.51	20,682,600.60
Provision for impairment					
Carrying amount					
1. Closing balance	31,618,479.90			25,048.51	31,643,528.41
2. Opening balance	32,529,041.82			37,572.79	32,566,614.61

Note 16. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decrease	Closing balance
5G project cost amortization		2,583,185.84	**751,932.13**		**1,831,253.71**
House decoration expense	1,114,542.68		**303,966.12**		**810,576.56**
Total	1,114,542.68	2,583,185.84	**1,055,898.25**		**2,641,830.27**

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 17. Deferred tax assets

1. Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	**95,322,675.58**	169,979,963.88
Deductible losses	**299,235,514.39**	345,237,953.93
Total	**394,558,189.97**	515,217,917.81

2. Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance
Year 2022		4,908,318.64
Year 2023	**23,010,357.05**	23,865,978.87
Year 2024	**31,978,531.50**	33,259,099.16
Year 2025	**45,685,854.49**	45,685,854.49
Year 2026	**29,797,412.59**	32,483,453.96
Year 2027	**23,554,907.50**	23,554,907.50
Year 2028	**28,487,482.70**	28,487,482.70
Year 2029	**40,993,390.37**	52,865,476.43
Year 2030	**56,807,815.54**	56,807,815.54
Year 2031	**18,542,630.02**	43,319,566.64
Year 2032	**377,132.63**	
Total	**299,235,514.39**	345,237,953.93

Note 18. Other non-current assets

Items	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carrying amount
Prepayment for purchasing long-term asset	**253,600.00**		**253,600.00**	66,287.54		66,287.54
Total	**253,600.00**		**253,600.00**	66,287.54		66,287.54

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 19. Accounts payable

1. Details of accounts payable with age analysis method

Age	Closing balance	Opening balance
Within 1 year	**27,709,518.63**	19,634,066.38
1–2 years	**3,089,124.85**	
2–3 years		1,008,087.88
Over 3 years	**1,472,029.80**	779,842.74
Total	**32,270,673.28**	21,421,997.00

2. Details of accounts payable on categories

Items	Closing balance	Opening balance
Material purchase	**32,221,673.28**	21,387,557.00
Equipment and engineering fund		26,900.00
Payable operating expense	**49,000.00**	7,540.00
Total	**32,270,673.28**	21,421,997.00

Note 20. Advances received

Items	Closing balance	Opening balance
Lease	**1,156,921.07**	707,219.17
Total	**1,156,921.07**	707,219.17

Note 21. Contract liabilities

Items	Closing balance	Opening balance
Goods	**3,833,449.99**	3,897,101.34
Total	**3,833,449.99**	3,897,101.34

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 22. Employee benefits payable

1. Details of employee benefits payable

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	11,550,631.64	55,983,356.30	60,078,318.15	**7,455,669.79**
Post-employment benefits				
— defined contribution plan	264,211.57	5,266,220.92	5,265,319.19	**265,113.30**
Termination benefits	7,207,319.02	9,069,236.77	4,521,433.58	**11,755,122.21**
Total	19,022,162.23	70,318,813.99	69,865,070.92	**19,475,905.30**

2. Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	5,596,250.09	44,866,266.91	49,309,500.00	**1,153,017.00**
Employee welfare fund		2,756,035.51	2,756,035.51	
Social insurance premium	82,035.55	2,700,632.47	2,700,632.47	**82,035.55**
Including: Medicare premium	76,730.75	2,595,315.00	2,595,315.00	**76,730.75**
Occupational injuries premium	292.34	105,317.47	105,317.47	**292.34**
Maternity premium	5,012.46			**5,012.46**
Housing provident fund	494.00	2,342,220.00	2,342,220.00	**494.00**
Trade union fund and employee education fund	5,871,852.00	912,741.38	564,470.14	**6,220,123.24**
Other short-term employee benefits		2,405,460.03	2,405,460.03	
Total	11,550,631.64	55,983,356.30	60,078,318.15	**7,455,669.79**

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 22. Employee benefits payable (Continued)

3. Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	265,113.30	5,042,730.99	5,042,730.99	**265,113.30**
Unemployment insurance premium	–901.73	187,322.13	186,420.40	
Enterprise annuity payment		36,167.80	36,167.80	
Total	264,211.57	5,266,220.92	5,265,319.19	**265,113.30**

Pursuant to the Labour Law of the People's Republic of China and relevant laws and regulations, the Company and its subsidiaries in the People's Republic of China participated in defined contribution retirement schemes for its employees. The local government authorities are responsible for the entire pension obligations payable to retired employees who reach retirement age pursuant to relevant regulations or quit the work force due to other reasons. The Company and its subsidiaries have no other obligation to make payment in respect of pension benefits.

Note 23. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	**2,261,633.17**	1,202,202.60
Individual income tax	**993,279.99**	116,951.35
Urban maintenance and construction tax	**135,527.62**	34,664.10
Education surcharge	**58,078.99**	14,856.04
Local education surcharge	**38,726.48**	9,904.05
Stamp duty	**43,064.69**	103,907.56
Housing property tax	**7,333.21**	
Resource tax	**3,160.75**	4,029.62
Enterprise income tax		462.91
Total	**3,540,804.90**	1,486,978.23

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 24. Other payable

Items	Closing balance	Opening balance
Interests payable		
Dividends payable		
Others	**22,951,708.02**	22,859,783.93
Total	**22,951,708.02**	22,859,783.93

Note: Others in the above table refer to other payable after deducting interests payable and dividends payable.

1. Other payables listed by nature

Items	Closing balance	Opening balance
Temporary receipts payable	**10,288,961.59**	10,877,391.75
Security deposit	**4,602,587.85**	3,963,744.39
Temporarily received equity disposal fund	**1,448,244.09**	1,448,244.09
Others	**6,611,914.49**	6,570,403.70
Total	**22,951,708.02**	22,859,783.93

2. Important other payables over one year

Debtors	Closing balance	Reasons
China Putian Corporation Co.,ltd.	**1,440,800.00**	Unpaid
Heyuan Putian Communication Technology Co. Ltd	**688,430.88**	Unpaid
Chengdu Sushi Guangbo Environmental Reliability Technology Co. Ltd	**535,405.80**	Unpaid
Sichuan Zhongzi Science & Technology Co.,Ltd.	**265,512.00**	Unpaid
Chengdu Xinyue Advanced Intelligent Equipment Co., Ltd	**245,250.00**	Unpaid
Total	**3,175,398.68**	–

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 25. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within 1 year	**445,269.63**	433,080.49
Total	**445,269.63**	433,080.49

Note 26. Other non-current liabilities

Items	Closing balance	Opening balance
Pending Output VAT	**249,893.18**	252,153.05
Total	**249,893.18**	252,153.05

Note 27. Long-term borrowings

Items	Closing balance	Opening balance
Guaranteed borrowings	**4,822,391.72**	5,123,460.47
Less: Long-term borrowings due within 1 year	**445,269.63**	433,080.49
Total	**4,377,122.09**	4,690,379.98

The annual interest rate of borrowings is 0.5%.

Note 28. Long-term employee benefits payable

Items	Closing balance	Opening balance
Long-term termination benefits	**46,593,395.32**	47,789,673.52
Less: Long-term termination benefits due within 1 year	**8,253,983.09**	7,207,319.02
Total	**38,339,412.23**	40,582,354.50

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 29. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants	50,395,466.20		2,621,699.40	**47,773,766.80**	See details of government grants
Total	50,395,466.20		2,621,699.40	**47,773,766.80**	–

1. Details of government grants

Items	Opening balance	Increase	Grants included into non-operating income	Grants included into profit or loss	Decrease	Add: other changes	Closing balance	Related to assets/income
Shuangliu Land Acquisition Compensation	48,896,166.20			2,430,299.40			**46,465,866.80**	Related to assets
Intelligent transformation of production line	709,700.00			90,600.00			**619,100.00**	Related to assets
Provincial industrial development funds for technical renovation	789,600.00			100,800.00			**688,800.00**	Related to assets
Total	50,395,466.20			2,621,699.40			**47,773,766.80**	

2. Other remarks

According to the Supreme County People's Government of Chengdu City, "Reply on the Approval of the Acquisition of Real Estate of Chengdu Cable Shuangliu Heat Shrinking Products Factory" (Shuangfutu [2008] No. 129) and "Management Measures for Land Acquisition and Reserve of Shuangliu County", March 2009, Subsidiary Chengdu Cable Shuangliu Heat Shrinking Products Factory (now known as Chengdu Putian New Materials Co., Ltd.) signed the "State-Owned Land Acquisition Agreement "with Shuangliu County Land Reserve Centre, and agreed to Shuangliu County Government to recover the Baijia Town in Shuangliu County, Chengdu for RMB87.2043 million. Among them, RMB20 million was received for the first phase relocation in 2009, RMB35 million for the second phase relocation in 2010, RMB17 million for the third phase relocation in 2011, and RMB15.2043 million for the fourth phase relocation in 2012. Nearly the village has 47,767.75 square meters of state-owned land use rights. The relocation funds that the subsidiary Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant mainly received is mainly used for the construction of the new plant. In 2022, the non-operating income of RMB2,430,299.40 was recognized according to the depreciation of the plant.

According to the Detailed Implementing Rules of <Policies of Chengdu High-tech Zone on supporting the development of the electronic information industry> (Chenggao Dianfa [2018] No. 1), Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company, received RMB906,000.00 of intelligent transformation funds for the production line in 2018, and the amount of other income in 2022 was RMB90,600.00.

According to the <Notice on Organizing the Solicitation of Provincial Industrial Development Fund Projects in 2019> from the Sichuan Provincial Economic and Information Commission, Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company, received RMB1.008 million of provincial industrial development funds for technological transformation in 2019, and the amount of other income in 2022 was RMB100,800.00.

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 30. Share capital

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to share	Others	Subtotal	
Non-tradable shares	240,000,000.00						**240,000,000.00**
Held by domestic legal persons	240,000,000.00						**240,000,000.00**
Unrestricted shares	160,000,000.00						**160,000,000.00**
H Shares	160,000,000.00						**160,000,000.00**
Total	400,000,000.00						**400,000,000.00**

Note 31. Capital Reserve

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	302,343,510.57			**302,343,510.57**
Other capital reserve	336,416,611.51	3,168,000.00		**339,584,611.51**
Total	638,760,122.08	3,168,000.00		**641,928,122.08**

Note: The increase in Capital Reserve in the current period was caused by the conversion of the wages payable into the Capital Reserve by a subsidiary of the Company, Chengdu Putian New Materials Co. Ltd.

Note 32. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative									Closing balance
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in current period	Less: OCI previously recognized but transferred to retained earnings in current period	Less: hedging reserves transfer to assets or liabilities	Less: Income tax	Attributable to parent company	Attributable to non-controlling shareholders	Less: Transfer to remeasurement of the set benefit plan variation	Less: OCI previously recognized but transferred to retained earnings in current period	
Items not to be reclassified subsequently to profit or loss	4,896,623.69	20,172.00					20,172.00				**4,916,795.69**
Changes in fair value of other equity Instrument investments	4,896,623.69	20,172.00					20,172.00				**4,916,795.69**
Items to be reclassified subsequently to profit or loss											
Total	4,896,623.69	20,172.00					20,172.00				**4,916,795.69**

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 33. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	8,726,923.61			**8,726,923.61**
Total	8,726,923.61			**8,726,923.61**

Note 34. Retained earnings

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	**–297,500,420.97**	–236,378,761.97
Adjust the opening balance of retained earnings (Increase+, Decrease-)		–8,853,368.15
Balance after adjustment at the end of preceding period	**–297,500,420.97**	–245,232,130.12
Add: Net profit attributable to owners of the parent company	**–2,224,261.22**	–52,268,290.85
Less: Withdraw the statutory surplus reserve		
Add: Surplus reserves to cover losses		
Closing balance	**–299,724,682.19**	–297,500,420.97

Note: Please refer to Section VI (Note 13) for the opening balance adjustment.

Note 35. Operating income/Operating cost

1. **Details of operating income and operating cost**

Items	Current period cumulative		Preceding period cumulative	
	Income	Cost	Income	Cost
Main operations	**250,459,268.02**	**207,870,808.20**	259,072,812.60	251,162,000.19
Other operations	**53,554,339.89**	**25,198,488.10**	41,351,559.73	16,688,501.71
Total	**304,013,607.91**	**233,069,296.30**	300,424,372.33	267,850,501.90

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 35. Operating income/Operating cost (Continued)

2. Details of contract revenue

Categories	Copper cable and related products	Optical communication products	Total
Product types			
Optical fibre products		191,141,150.66	191,141,150.66
Track cable	34,615,510.75		34,615,510.75
5G mobile intelligent terminal trade	1,630,285.04		1,630,285.04
Processing service	2,867,100.89		2,867,100.89
Optical cable assembly	31,745,969.60		31,745,969.60
Others	14,451,124.45		14,451,124.45
Subtotal	85,309,990.73	191,141,150.66	276,451,141.39
Recognition time			
Transferred at a point in time	85,309,990.73	191,141,150.66	276,451,141.39
Total	85,309,990.73	191,141,150.66	276,451,141.39

Note 36. Tax and surcharge

Items	**Current period cumulative**	Preceding period cumulative
Housing property tax	**888,893.16**	696,218.95
Land use tax	**824,320.00**	824,320.00
Urban maintenance and construction	**413,684.53**	93,857.79
Stamp duty	**251,142.55**	307,728.93
Education surcharge	**202,476.53**	39,862.85
Local education surcharge	**92,809.91**	26,575.27
Resource tax	**19,851.57**	37,834.85
Vehicle and vessel use tax	**3,780.00**	6,279.20
Total	**2,696,958.25**	2,032,677.84

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 37. Marketing expenses

Items	Current period cumulative	Preceding period cumulative
Staff salaries	**4,452,884.43**	2,816,524.83
Sales service fee	**497,005.62**	669,066.19
Office and traveling expenses	**226,254.67**	389,521.60
Operating expenses	**159,467.47**	557,844.38
Advertising promotion fee		277,227.72
Others	**218,045.99**	314,991.21
Total	**5,553,658.18**	5,025,175.93

Note 38. Administration costs

Items	Current period cumulative	Preceding period cumulative
Staff salaries	**45,871,479.65**	69,413,279.64
Depreciation and amortization	**6,104,969.08**	7,181,080.05
Repairs and maintenance	**2,357,554.51**	1,545,878.61
Agency fee	**3,691,977.19**	1,788,453.95
Office and traveling fee	**1,820,467.40**	923,368.20
Disability Security	**445,552.45**	348,867.07
Utility bills	**381,488.87**	479,504.27
Business hospitality	**76,340.42**	399,913.79
Shutdown loss		12,354.84
Others	**4,593,395.74**	3,481,686.70
Total	**65,343,225.31**	85,574,387.12

Note 39. Research and Development costs

Items	Current period cumulative	Preceding period cumulative
Staff salary	**7,550,953.99**	7,338,748.41
Depreciation of fixed assets	**2,504,929.16**	2,926,930.37
Materials	**703,120.14**	459,726.21
Others	**227,673.92**	1,552,738.33
Total	**10,986,677.21**	12,278,143.32

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 40. Financial costs

Items	Current period cumulative	Preceding period cumulative
Interest expenditures	**73,722.80**	87,110.41
Less: Interest income	**21,488,986.12**	9,396,639.26
Gains & losses on foreign exchange	**–211,716.75**	–511,335.84
Bank charges	**25,899.79**	44,579.96
Total	**–21,601,080.28**	–9,776,284.73

Note 41. Other income

1. Details of other income

Items	Current period cumulative	Preceding period cumulative
Government grants related to assets	**2,621,699.40**	3,673,531.32
Government grants related to earnings	**416,272.91**	4,534,994.84
VAT input tax additional deduction	**32,747.48**	47,198.93
Refund of service fees for individual income tax withholding	**7,799.36**	7,700.69
Total	**3,078,519.15**	8,263,425.78

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 41. Other income (Continued)

2. Details of government grants included in other income

Items	Current period cumulative	Preceding period cumulative	Related to assets/ related to earnings
Land relocation compensation of Jindu Village, Baijia Town, Shuangliu County	**2,430,299.40**	3,482,131.32	Related to assets
Subsidies for stable posts	**238,972.91**	33,629.75	Related to earnings
Provincial industrial development funds for technological transformation	**100,800.00**	100,800.00	Related to assets
Intelligent transformation of production lines	**90,600.00**	90,600.00	Related to assets
Municipal special fund for intellectual property development and protection	**90,000.00**		Related to earnings
Recognition and reward of high-tech enterprises	**50,000.00**		Related to earnings
Export credit insurance subsidies from Sichuan branch of China Export and Credit Insurance Corporation	**37,300.00**	26,200.00	Related to earnings
Property tax and urban land use tax reduction and in 2020		4,326,165.09	Related to earnings
Subsidies for expanding the scale of import and export special from Chengdu High-tech Industry Development and Economic Operation Bureau		60,000.00	Related to earnings
Subsidies for high-tech enterprises to improve the quantity and quality of government from Chengdu High-tech Industrial Development Zone Science and Technology and Talent Work Bureau		50,000.00	Related to earnings
Subsidies of short-term export credit insurance from Chengdu Local Financial Supervision and Administration Bureau		29,000.00	Related to earnings
Special funds from the Economic Operation Bureau of Chengdu High-tech Industrial Development Zone		10,000.00	Related to earnings
Total	**3,037,972.31**	8,208,526.16	

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 42. Investment income

Items	Current period cumulative	Preceding period cumulative
Investment income from long-term equity investments under equity method	**–8,048,498.71**	–14,422,498.48
Investment income from disposal of long-term equity investments		16,191,872.03
Dividend income during the holding period of other equity instruments	**59,003.10**	
Total	**–7,989,495.61**	1,769,373.55

Note 43. Credit impairment loss

Items	Current period cumulative	Preceding period cumulative
Bad debts	**2,639,185.68**	–1,850,232.89
Total	**2,639,185.68**	–1,850,232.89

Note 44. Assets impairment loss

Items	Current period cumulative	Preceding period cumulative
Inventory write-down loss	**–5,171,502.41**	–3,227,459.82
Impairment loss of fixed assets		–767,065.32
Impairment loss of construction in progress		–546,379.79
Total	**–5,171,502.41**	–4,540,904.93

Note 45. Gains on assets disposal

Items	Current period cumulative	Preceding period cumulative
Gains/losses on disposal of fixed assets		449,163.30
Total		449,163.30

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 46. Non-operating income

Items	Current period cumulative	Preceding period cumulative	Amount included in non-recurring profit or loss
Compensation for breach of contract	**708,377.62**	50,434.37	708,377.62
Others	**300,785.54**	471.16	300,785.54
Total	**1,009,163.16**	50,905.53	1,009,163.16

Note: Other non-operating income is mainly the transfer of funds that cannot be paid.

Note 47. Non-operating expenditures

Items	Current period cumulative	Preceding period cumulative	Amount included in non-recurring profit or loss
Loss on damage or retirement of non-current assets	**44,631.64**	170,185.42	44,631.64
Donation		30,000.00	
Penalty	**337.27**	12,000.00	337.27
Others	**216.69**	357,814.18	216.69
Total	**45,185.60**	569,999.60	45,185.60

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 48. Income tax expenses

1. Details

Items	Current period cumulative	Preceding period cumulative
Current period income tax expense	**–101,319.54**	–1,358,356.64
Deferred income tax expense		
Total	**–101,319.54**	–1,358,356.64

2. Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative
Profit before tax	**1,485,557.31**
Income tax expenses based on legal tax rate	**222,833.60**
Effect of different tax rate applicable to subsidiaries	**542,869.18**
Effect of prior income tax reconciliation	**–101,319.54**
Effect of non-taxable income	**1,207,274.81**
Effect of non-deductible costs, expenses and losses	**74,808.14**
Utilization of deductible losses not previously recognized as deferred tax assets	**–2,126,526.18**
Effect of deducible temporary differences or deductible losses not recognized as deferred tax assets	**78,740.45**
Others	
Income tax expenses	**–101,319.54**

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 49. Notes to items of the consolidated cash flow statement

1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period cumulative
Recovered letter of credit and letter of guarantee deposit	**10,109.27**	10,263,287.94
Interest income	**21,488,986.12**	9,396,639.26
Government grants	**449,020.39**	4,583,098.12
Cash received from operating rental fixed assets	**46,922,475.45**	38,118,017.28
Others	**8,651,373.46**	5,814,699.55
Total	**77,521,964.69**	68,175,742.15

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period cumulative
Administrative expenses	**13,128,761.67**	9,196,997.26
Marketing expenses	**1,054,791.07**	2,209,167.15
Research and development expenses	**930,794.06**	2,207,280.13
Service fee	**25,899.79**	44,579.96
Others	**27,671,338.09**	24,685,939.44
Total	**42,811,584.68**	38,343,963.94

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 50. Supplement information to the cash flow statement

1. **Details**

Items	Current period cumulative	Preceding period cumulative
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	**1,586,876.85**	–57,630,141.67
Add: Provision for credit impairment loss	**–2,639,185.68**	1,850,232.89
Provision for assets impairment loss	**5,171,502.41**	4,540,904.93
Depreciation of fixed assets, oil and gas assets, productive biological assets	**18,223,174.31**	21,713,950.57
Depreciation of right-of-use assets		
Amortization of intangible assets	**923,086.20**	933,000.78
Amortization of long-term prepayments	**1,055,898.25**	303,966.12
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)		–449,163.30
Fixed assets retirement loss (Less: gains)	**44,631.64**	170,185.42
Losses on changes in fair value (Less: gains)		
Financial expense (Less: gains)	**–123,907.60**	–412,684.57
Investment losses (Less: gains)	**7,989,495.61**	–1,769,373.55
Decrease of deferred tax assets (Less: increase)		
Increase of deferred tax liabilities (Less: decrease)		
Decrease of inventories (Less: increase)	**–46,424,068.17**	9,969,935.79
Decrease of operating receivables (Less: increase)	**74,866,247.62**	25,215,635.12
Increase of operating payables (Less: decrease)	**–81,933,802.01**	37,261,945.34
Others	**–1,398,373.62**	6,781,156.62
Net cash flows from operating activities	**–22,658,424.19**	48,479,550.49
2. Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Conversion bonds due within one year		
Fixed assets leased in under finance leases		
3. Net changes in cash and cash equivalents:		
Cash at the end of the period	**479,183,690.14**	472,172,323.72
Less: Cash at the beginning of the period	**472,172,323.72**	408,342,218.89
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	**7,011,366.42**	63,830,104.83

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 50. Supplement information to the cash flow statement (Continued)

2. Composition of cash and cash equivalents

Items	Closing balance	Opening balance
1. Cash	**479,183,690.14**	472,172,323.72
Including: Cash on hand	**1,317.45**	5,084.13
Cash in bank on demand for payment	**479,182,372.69**	472,167,239.59
Other cash and bank balance on demand for payment		
2. Cash equivalents		
Including: Bond investments maturing within 3 months		
3. Cash and cash equivalents at the end of the period	**479,183,690.14**	472,172,323.72
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

Note 51. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balance	**6,184,491.32**	Deposit for letter of credit and letter of guarantee
Total	**6,184,491.32**	

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

Note 52. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
Cash and bank balances			
Including: USD	410,349.09	6.9646	2,857,917.27
Long-term borrowing(including due within 1 year)			
Including: EUR	649,664.11	7.4229	4,822,391.72

Note 53. Government grants

Categories	Current period cumulative	Amount included in non-recurring profit or loss	Remarks
Government grants included in deferred income		2,621,699.40	See note 29 of Section VI for details
Government grants included in other income	**416,272.91**	416,272.91	See note 41 of Section VI for details
Total	**416,272.91**	3,037,972.31	

VII. CHANGES IN THE SCOPE OF INCORPORATION

In the current period, the number of subjects included in the scope of consolidated financial statements decreased by 1 compared with the previous period. According to the resolution of the first extraordinary 2022 General meeting of shareholders held on September 27, 2022, the Company merged its wholly-owned subsidiary Chengdu Zhongling Wireless Communication Cable Co., Ltd during the current period.

VIII. INTEREST IN OTHER ENTITIES

(I) Interest in subsidiaries

1. Composition of the company

Subsidiaries	Main operating place	Registered address	Business nature	Holding proportion (%) Direct	Indirect	Acquisition method
Chengdu SEI Optical Fiber Co., Ltd	Chengdu	Chengdu	Manufacturing	60.00		Business combination not under common control
Chengdu PUTIAN New Material Co., Ltd	Chengdu	Chengdu	Manufacturing	100.00		Business combination not under common control

2. Significant partially-owned subsidiaries

Subsidiaries	Holding proportion of minority shareholders (%)	Profit or loss attributable to minority shareholders	Dividends declared to minority shareholders in this period	Closing balance of non-controlling interests	Notes
Chengdu SEI Optical Fiber Co., Ltd	40.00	3,811,138.07		87,733,321.82	

3. Main financial information of significant partially-owned subsidiaries

The main financial information of these subsidiaries is the amount before each company offset each other, but the adjustment of fair value and unified accounting policy is made after the merger day.:

Item	Chengdu SEI Optical Fiber Co., Ltd Closing balance	Opening balance
Current assets	**189,369,004.78**	177,534,318.16
Non-current assets	**43,658,751.31**	51,323,984.45
Total assets	**233,027,756.09**	228,858,302.61
Current liabilities	**12,386,551.49**	17,553,543.18
Non-current liabilities	**1,307,900.00**	1,499,300.00
Total liabilities	**13,694,451.49**	19,052,843.18
Operating income	**191,141,150.66**	152,903,714.20
Net profit	**9,527,845.17**	–13,404,627.04
Total comprehensive income	**9,527,845.17**	–13,404,627.04
Cash Flow of Operational Activities	**–21,665,567.46**	50,410,175.31

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture or associates

1. Significant associates

Joint ventures	Main operating place	Registered address	Business nature	Holding proportion (%) Direct	Indirect	Accounting treatment
Chengdu Bada Connector Co., Ltd.	Chengdu	Chengdu	Manufacturing	49.00		Equity method
Putian Fasten Cable Telecommunication Co., Ltd.	Jiangyin	Jiangyin	Manufacturing	10.00		Equity method

2. Main financial information of significant associates

Item	Closing balance/ Current period cumulative Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	**33,260,269.58**	1,421,531,083.37
Non-current assets	**4,084,586.08**	120,502,397.35
Total assets	**37,344,855.66**	1,542,033,480.72
Current liabilities	**28,318,363.08**	909,991,619.88
Non-current liabilities	**2,246,334.08**	297,650,977.55
Total liabilities	**30,564,697.16**	1,207,642,597.43
Non-controlling interests	**966,808.68**	
Equity attributable to owners of parent company	**5,813,349.82**	334,390,883.29
Proportionate share in net assets	**2,848,541.41**	33,439,088.33
Adjustments		
— Goodwill		1,418,109.36
— Unrealized profits from internal transactions		
— Other		
Carrying amount of investments in associates	**2,848,541.41**	34,857,197.69
Fair value of equity investments in associates in association with quoted price		
Operating income	**148,001,206.51**	479,457,044.31
Net profit	**–3,629,258.68**	–60,954,985.93
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	**–3,629,258.68**	–60,954,985.93
Dividend from associates received in current period		

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture or associates (Continued)

2. Main financial information of significant associates (Continued)

Continued:

Item	Opening balance/ Last period cumulative Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	**84,383,733.99**	1,419,298,252.30
Non-current assets	**5,893,589.63**	146,363,395.18
Total assets	**90,277,323.62**	1,565,661,647.48
Current liabilities	**78,369,295.22**	898,643,404.19
Non-current liabilities	**1,050,783.64**	271,672,374.07
Total liabilities	**79,420,078.86**	1,170,315,778.26
Non-controlling interests	**1,058,180.41**	
Equity attributable to owners of parent company	**9,799,064.35**	395,345,869.22
Proportionate share in net assets	**4,801,541.53**	39,534,586.92
Adjustments		
— Goodwill		1,418,109.36
— Unrealized profits from internal transactions		
— Other		
Carrying amount of investments in associates	**4,801,541.53**	40,952,696.28
Fair value of equity investments in associates in association with quoted price		
Operating income	**169,681,855.39**	632,561,022.90
Net profit	**–810,315.57**	–62,112,668.46
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	**–810,315.57**	–62,112,668.46
Dividend from associates received in current period		

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include cash and cash equivalents, equity investments, debt investments, loans, accounts receivable, accounts payable, etc. The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are described below:

The Board of Directors is responsible for planning and establishing the risk management framework of the company, formulating the company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The company has formulated risk management policies to identify and analyse the risks faced by the company. These risk management policies specify specific risks, covering market risk, credit risk and liquidity risk management, etc. The company regularly assesses changes in the market environment and the company's business activities to determine whether to update risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and mitigates relevant risks by working closely with other departments of the Company. The Company's Internal Audit Department conducts regular audits of risk management controls and procedures, and reports the results to the Company's Audit Committee. The Company diversifies the risk of financial instruments by diversifying its investment and business portfolio appropriately, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating appropriate risk management policies.

(I) Credit risk

Credit risk refers to the risk of financial loss caused by the failure of the counterparty to perform its contractual obligations, while the management has established appropriate credit policies and is constantly monitoring exposure to credit risk.

The Company has adopted a policy of only dealing with creditworthy counterparties. In addition, the Company evaluates the customer's credit qualifications and sets the corresponding credit period based on the customer's financial situation, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company continuously monitors the balance of notes receivable, accounts receivable and recovery, and for customers with bad credit history, the Company will use written reminders, shortening the credit period or cancelling the credit period to ensure that the Company does not face significant credit losses. The Company reviews the recovery of financial assets at each balance sheet date to ensure that there is adequate provision of credit losses for the underlying financial.

The Company's other financial assets include cash and cash equivalents, other receivables, debt investments, etc., the credit risk of these financial assets originates from the breach of contract of the counterparty, and the maximum credit risk exposure is the carrying amount of each financial asset on the balance sheet. The Company does not provide any other guarantees that may expose the Company to credit risk.

The cash and cash equivalents held by the Company are mainly deposited in financial institutions such as state-owned holding banks and other large and medium-sized commercial banks, and the management believes that these commercial banks have high reputation and good asset status, do not have major credit risks, and will not produce any major losses caused by the breach of contract of the counterparty. The Company controls the credit risk for deposits by limit the deposit amount in accordance with the market reputation, size of operation and financial background of each well-known financial institution.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

As part of the Company's credit risk asset management, the Company uses ageing to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and aging information can reflect the solvency and bad debt risk of these customers. The Company calculates the historical actual bad debt rate for different age periods based on historical data, and adjusts the expected loss ratio by taking into account the forecast of current and future economic conditions, such as national GDP growth, total infrastructure investment, national monetary policy and other forward-looking information. For long-term receivables, the Company takes into account the settlement date, the contractual payment schedule, the debtor's financial position and the economic situation of the debtor's industry, and makes a reasonable assessment of expected credit losses after adjusting for the above forward-looking information.

As of 31 December 2022, the carrying amount of the underlying assets and the expected credit impairment losses were as follows:

Items	Carrying amount	Impairment provision
Accounts receivable	**112,293,846.06**	33,363,605.57
Receivables financing	**76,003,141.78**	
Other receivables	**28,715,383.51**	24,895,827.02
Debt investments	**60,000.00**	60,000.00
Total	**217,072,371.35**	58,319,432.59

The Company's main customers are Chengdu Bada Socket Connector Co., Ltd (the "Chengdu Bada"), CRRC Zhuzhou Locomotive Co., Ltd., Chengdu SIWI High-Tech Industrial Co,Ltd., etc., which have reliable and good reputation, therefore, the Company believes that such customers do not have significant credit risks. Due to the wide range of clients of the Company, there is no significant risk of credit concentration.

(II) Liquidity risk

Liquidity risk refers to the risk of capital shortage when the Company fulfils its obligation to pay cash or other financial assets for settlement. Each member of the Company is responsible for its cash flow forecast. The Company monitors the long-term and short-term capital demand at the company level based on the cash flow forecast results of each member company, while continuously monitoring compliance with the provisions of the borrowing agreements and obtaining commitments from major financial institutions to provide sufficient reserve funds to meet short-term and long-term funding needs. In addition, the Company has entered into a credit agreement with major business banks to support the Company in fulfilling its obligations related to commercial paper.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Liquidity risk (Continued)

As of 31 December 2022, the Company's cash flow payables of the financial liabilities and off-balance sheet guarantee items in the contract remaining period are shown as follows:

Item	Closing balance Within 1 year	1–5 years	Over 5 years	Total
Accounts payable	**32,270,673.28**			**32,270,673.28**
Other payables	**22,951,708.02**			**22,951,708.02**
Non-current liabilities due within one year	**445,269.63**			**445,269.63**
Long-term loans		**1,781,078.52**	**2,596,043.57**	**4,377,122.09**
Total	**55,667,650.93**	**1,781,078.52**	**2,596,043.57**	**60,044,773.02**

(III) Market risk

1. Exchange rate risk

The main business of the company is located in China, and the main business is settled in RMB. the Company has confirmed that the foreign currency assets and liabilities and future transactions in foreign currency still exists the risk of exchange rate (the currency for foreign currency assets and liabilities and foreign transactions mainly are US dollar and Euro,). The Company is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Company to minimize the risk of exchange rate.

(1) As of 31 December 2022, the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is listed below:

Item	Closing balance Converted from USD	Converted from EURO	Total
Foreign currency of financial assets			
Cash and cash equivalents	**2,857,917.27**		**2,857,917.27**
Subtotal	**2,857,917.27**		**2,857,917.27**
Foreign currency of financial liabilities			
Long-term borrowings (including due within one year)		**4,822,391.72**	**4,822,391.72**
Subtotal		**4,822,391.72**	**4,822,391.72**

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk (Continued)

1. Exchange rate risk (Continued)

(2) Sensitivity analysis:

By the end of 31 December 2022, as for the Company's financial assets in USD and financial liabilities in Euro, if the RMB against the US dollar and euro currency appreciation or depreciation of 10% and other factors remain unchanged, the Company will reduce or increase retained profits about RMB196,447.45 (RMB176,954.32 in 2021).

2. Interest rate risk

Financial liabilities with floating interest rates exposes the Company to the cash flow interest rate risk, and the financial liabilities with fixed interest rates exposes the Company the fair value interest rate risk. The Company determines the relative proportion between contracts with floating interest rates and contracts with fixed interest rates according to the market environment.

The Company's financial department continuously monitors the interest rate level. Rising interest rates will increase the cost of new interest-bearing liabilities and the interest expenses of interest-bearing liabilities that the Company has not yet paid at floating interest rates, which will have a significant negative impact on the Company's financial performance. The management will make timely adjustments based on the latest market conditions, which may be arranged to reduce interest rate risk through arrangements such as interest rate swaps.

As of 31 December 2022, the Company's long-term interest-bearing debt was mainly fixed-rate contracts in the amount of €649,664.11, as detailed in Section VI (Note 27), which states that interest rate risk will not have a significant impact on the Company's production and operation.

3. Price risk

Price risk refers to the risk of fluctuation caused by market price changes other than exchange rate risk and interest rate risk. It mainly comes from the changes of commodity price, stock market index, equity instrument price and other risk variables.

X. FAIR VALUE

(I) Financial instruments measured at fair value

On 31 December 2022, our corporate expose the carrying value of financial asset instruments measured at fair value at three levels which is based on the lowest level of the three levels of the important input values used in the measurement of fair value. The three levels are defined as following:

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

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

Level 3 inputs are unobservable inputs for the asset or liability.

(II) Fair value at the end of the period

	Fair value at the end of the period			
Items	Level 1	Level 2	Level 3	Total
Other equity instrument investment	5,627,988.00			**5,627,988.00**
Accounts receivable financing			76,003,141.78	**76,003,141.78**

(III) The basis for determining the market price of the fair value in level 1

The market price of other equity investment measured at fair value in level 1 is determined by the closing price of the corresponding stock on the stock exchange on the last trading day of 2022.

(IV) Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement

Receivable financing is a bank acceptance for the company to both collect contractual cash flows and sell the financial asset, with a short remaining period, a carrying value close to fair value, and a par value as fair value.

(V) The fair value of financial assets and financial liabilities that are not measured at fair value

Financial assets and liabilities that are not measured at fair value are mainly including: accounts receivable, short-term loans, accounts payables, non-current liabilities and long-term loans due within one year and an equity tool that is not quoted in an active market and its fair value is not reliably measured.

There is little difference between the book value and the fair value of the financial assets and liabilities that are not measured at fair value.

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION

(I) Information of the parent company of the enterprise

Name of controlling shareholder	Registration place	Business nature	Registered capital (RMB ten thousand)	Percentage of shareholding in the company (%)	Percentage of voting right in this company (%)
Chengdu Siwi Electronic Co., Ltd	Chengdu	Professional Technique Services	40,000.00	60.00	60.00

The ultimate controlling party of the Company is China Electronics Technology Group Corporation.

(II) Subsidiaries of the Company: refer to the related content in the Section VIII (I) Interests in subsidiaries for the details of the subsidiaries.

(III) The Company's Joint Ventures and Associated Enterprises

Refer to the related content in the Section VIII (II) Significant joint ventures or associates for the details.

(IV) Other related parties

Other related parties	Relationship between the Company and related parties
China Electronic Technology Group Corporation Twenty-third Research Institute	Under common control
China Electronic Technology Group Corporation Fortieth Research Institute	Under common control
Beijing Tirt Certification Co., Ltd	Under common control
China Electronic Technology Group Corporation Eighth Research Institute	Under common control
China Electronic Technology Group Corporation Twenty-ninth Research Institute	Under common control
Chengdu SIWI High-Tech Industrial Co,Ltd.	Under common control
China Potevio Company Limited	Under common control
China Putian Corporation Co.,ltd.	Under common control
Nanjing Putian Telega Intelligent Building Co., Ltd.	Under common control
Chengdu Seekon Microwave Communications Co.,Ltd.	Under common control
Chengdu Branch of China Potevio Company Limited	Under common control
China Putian Information Industry Zhuzhou Co.,Ltd.	Under common control
Chengdu Siwi Power Electronic Technology Co.,Ltd.	Under common control
Hangzhou Hongyan Digital Marketing Co. LTD	Under common control
Sumiden Asia (Shenzhen) Co. Ltd	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary's shares
Sumitomo Electric Asia Ltd	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary's shares
Sumitomo Electric Industries Ltd.	Shareholder holding more than 5% of the subsidiary's shares

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

(V) Related parties' transaction

1. **The transactions between subsidiaries that have control relations and have been incorporated into the Company's consolidated financial statements and parent company have been offset.**

2. **Purchase and sale of goods, rendering and receiving of services**

Related parties' transaction	Content of transaction	Current period cumulative	Preceding period comparative
Sumiden Asia (Shenzhen) Co. Ltd	Purchase of raw material	**86,314,515.67**	48,293,266.08
Chengdu Bada Connector Co., Ltd.	Purchase of raw material	**14,497,801.25**	
China Electronic Technology Group Corporation Twenty-third Research Institute	Purchase of raw material	**3,536,818.59**	
China Electronic Technology Group Corporation Fortieth Research Institute	Purchase of raw material	**2,325,684.41**	
Sumitomo Electric Asia Ltd	Purchase of raw material	**674,069.99**	578,197.67
Sumitomo Electric Industries Ltd	Receiving of service	**203,459.65**	108,913.88
Beijing Tirt Certification Co., Ltd	Training fee	**77,426.42**	
China Electronic Technology Group Corporation Eighth Research Institute	Purchase of raw material	**31,477.88**	
China Electronic Technology Group Corporation Twenty-ninth Research Institute	Purchase of raw material	**12,530.97**	
Total		**107,673,784.83**	48,980,377.63

3. **Sale of goods and rendering of services**

Related parties' transaction	Content of transaction	Current period cumulative	Preceding period comparative
Chengdu SIWI High-Tech Industrial Co,Ltd.	Sale of component	**31,745,969.60**	
Chengdu Bada Connector Co., Ltd.	Sale of water and electricity	**476,319.13**	563,734.88
Chengdu Bada Connector Co., Ltd.	Sale of copper wire	**4,867.26**	35,964,916.99
Chengdu Bada Connector Co., Ltd.	Provide processing services	**1,203.54**	247,111.01
China Electronic Technology Group Corporation eighth Research Institute	Sale of optical fibre	**2,700,712.22**	1,079,469.73
Total		**34,929,071.75**	37,855,232.61

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

(V) Related parties' transaction (Continued)

4. Related party leases

The Company as leaser

Lessees	Types of assets leased	Lease income for current period	Lease income for the preceding period
Chengdu Bada Connector Co., Ltd.	Leasing buildings	**1,733,419.56**	846,414.19
China Electronic Technology Group Corporation Twenty-ninth Research Institute	Leasing buildings	**339,690.80**	
Chengdu Siwi Power Electronic Technology Co.,Ltd.	Leasing buildings	**327,275.00**	124,550.00
Chengdu SIWI High-Tech Industrial Co,Ltd.	Leasing buildings	**61,904.00**	
Chengdu Seekon Microwave Communications Co.,Ltd.	Leasing buildings	**14,045.00**	
Total		**2,476,334.36**	970,964.19

5. Related party guarantees

The Company as guaranteed parties

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
China Putian Corporation Co.,ltd.	4,822,391.72	1997/2/21	2033/2/21	No
Total	4,822,391.72			

6. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Emoluments	**150,000.12**	154,166.79
Wage, bonus, allowance and subsidy	**3,106,394.11**	1,990,256.34
Payment of pension plan	**294,312.96**	226,730.88
Housing provident fund	**162,537.00**	96,468.00
Other interest	**206,250.91**	138,708.74
Total	**3,919,495.10**	2,606,330.75

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

(V) Related parties' transaction (Continued)

7. Directors' and supervisors' emoluments

	Current period cumulative						
Items	Emoluments	Wage, bonus, allowance and subsidy	Housing provident fund plan	Payment of pension plan	Other social insurance premiums	Benefit in kind	Total
Executive directors:							
Li Tao							
Wu Xiaodong							
Hu Jiangbing							
Zhu Rui							
Jin Tao							
Chen Wei							
Li Jianyong							
Independent non-executive directors							
Fu Wenjie	50,000.04						50,000.04
Zhong Qishui	50,000.04						50,000.04
Xue Shujin	16,666.68						16,666.68
Xiao Xiaozhou	33,333.36						33,333.36
Supervisors:							
Wang Cheng							
Gao Bo		14,000.00	2,224.00		5,141.68		21,365.68
Liu Jun		264,663.61	11,855.00		47,540.88		324,059.49
Xiong Ting		330,559.00	13,820.00		55,565.78		399,944.78
Total	150,000.12	609,222.61	27,899.00		108,248.34		895,370.07

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

(V) Related parties' transaction (Continued)

7. Directors' and supervisors' emoluments (Continued)

(Continued)

	Current period cumulative						
Items	Emoluments	Wage, bonus, allowance	Housing provident fund plan	Payment of pension plan	Other social insurance	Benefit in kind	Total
Executive directors:							
Wu Changlin							
Hu Jiangbing		362,971.00	27,708.00	26,798.40	17,606.60		435,084.00
Han Shu							
Wang Micheng							
Jiang Jianping (Note I)							
Liu Yun							
Li Tao							
Li Jianyong							
Wu Xiaodong							
Zhu Rui							
Jin Tao							
Independent non-executive directors							
Mao Yaping	29,166.69						29,166.69
Fu Wenjie	20,833.35						20,833.35
Xiao Xiaozhou	50,000.04						50,000.04
Feng Gang	45,833.37						45,833.37
Zhong Qishui	8,333.34						8,333.34
Supervisors:							
Xiong Ting		308,941.50	9,600.00	35,414.40	19,341.87		373,297.77
Liu Jun		187,592.01	9,600.00	31,612.80	17,812.20		246,617.01
Wang Cheng							
Total	154,166.79	859,504.51	46,908.00	93,825.60	54,760.67		1,209,165.57

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

(V) Related parties' transaction (Continued)

8. Five highest-paid employees

The five employees whose emoluments were the highest for the year include 0 (1 in 2021) directors whose emoluments are reflected in the section XI(V)7. Directors' and supervisors' emoluments of Notes to the Financial Statements. The total emoluments payable to the remaining 5 (4 in 2021) non-director employees during the year are as follows:

Items	Current period cumulative	Preceding period comparative
Salaries, bonuses, allowances and subsidies	**2,169,454.00**	1,220,783.33
Payment of pension	**186,134.40**	141,492.48
Housing provident fund plan	**117,906.00**	38,400.00
Other social insurance	**145,439.41**	77,359.50
Total	**2,618,933.81**	1,478,035.31

9. The ranges of emoluments payable to 5 (4 in 2021) non-director employees during the year are as follows:

Items	Number of individuals (2021)	Number of individuals (2020)
HK$ nil–HK$1,000,000	**5**	4

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

(V) Related parties' transaction (Continued)

10. Balance due to or from related parties

(1) Balance due from related parties

Items	Related parties	Closing balance Book value	Closing balance Bad debt allowance	Beginning balance Book value	Beginning balance Bad debt allowance
Financing of receivables		**977,806.40**			
	China Electronic Technology Group Corporation Eighth Research Institute	**977,806.40**			
Accounts receivable		**38,196,934.37**	**1,090,761.15**	2,681,973.00	1,375,753.11
	Chengdu SIWI High-Tech Industrial Co,Ltd.	**35,940,319.55**	**179,701.60**		
	China Potevio Company Limited	**1,335,163.14**	**878,400.29**	1,335,163.14	878,400.29
	Chengdu Bada Connector Co., Ltd.	**642,318.24**	**3,211.59**	217,955.79	1,089.78
	Chengdu Siwi Power Electronic Technology Co.,Ltd.	**152,852.00**	**764.26**	33,761.00	168.81
	China Electronic Technology Group Corporation Eighth Research Institute	**72,747.20**	**363.74**	591,952.80	2,959.76
	Nanjing Putian Telega Intelligent Building Co., Ltd.	**28,192.96**	**28,192.96**	28,192.96	28,192.96
	Chengdu Seekon Microwave Communications Co.,Ltd.	**15,285.20**	**76.43**		
	Chengdu Yuexin Communication Material Co. Ltd	**10,056.08**	**50.28**	10,056.08	50.28
	Chengdu Branch of China Potevio Company Limited			304,891.23	304,891.23
	China Putian Information Industry Zhuzhou Co.,Ltd.			160,000.00	160,000.00
Advance payment		**5,554,399.53**		475,445.72	
	Sumiden Asia (Shenzhen) Co. Ltd	**4,843,036.84**			
	Sumitomo Electric Asia Ltd	**711,362.69**		475,445.72	
Other receivables		**1,959,272.09**	**9,796.36**	1,807,995.98	9,039.98
	China Potevio Company Limited	**1,786,828.82**	**8,934.14**	1,786,828.82	8,934.14
	Chengdu Bada Connector Co., Ltd.	**76,353.67**	**381.77**		
	Chengdu SIWI High-Tech Industrial Co,Ltd.	**74,922.44**	**374.61**		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	**21,167.16**	**105.84**	21,167.16	105.84

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

(V) Related parties' transaction (Continued)

10. Balance due to or from related parties (Continued)

(2) Balance due to related parties

Items	Related parties	Closing balance	Beginning balance
Advance account		**169,845.40**	
	China Electronic Technology Group Corporation Twenty-ninth Research Institute	**169,845.40**	
Account payable		**5,113,017.76**	10,838,692.08
	China Electronic Technology Group Corporation Fortieth Research Institute	**2,325,684.41**	
	China Electronic Technology Group Corporation Twenty-third Research Institute	**1,767,061.95**	
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	**993,304.33**	993,304.33
	Hangzhou Hongyan Digital Marketing Co. Ltd	**26,967.07**	
	Sumiden Asia (Shenzhen) Co. Ltd		9,844,638.23
	Chengdu Bada Connector Co., Ltd.		749.52
Other payables		**1,777,230.06**	1,643,805.04
	China Potevio Company Limited	**1,440,800.00**	1,440,800.00
	Chengdu Bada Connector Co., Ltd.	**167,863.66**	63,716.00
	Sumitomo Electric Industries Ltd.	**88,566.40**	59,289.04
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	**80,000.00**	80,000.00

XII. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

Please refer to Section VI Note 51 Assets whose ownership or right of use is restricted for the details of the pledged assets.

Except for the above commitments, at the end of 31 December 2022, the Company has no other major undertakings that should be disclosed.

(II) Important contingencies existed on the balance sheet date

At the end of 31 December 2022, the Company has no other major undertakings that should be disclosed.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

Important non-adjustment matters

On 28 February 2023, the Company listed the 49% equity interest held by the Company in Chengdu Bada on the Chongqing United Property Exchange for public tender for a period of 20 working days commencing from 28 February 2023 to 27 March 2023. The preliminary bidding price is approximately RMB4,321,600. After the completion of the disposal, the Company will no longer hold any equity interest in Chengdu Bada.

Apart from the aforementioned post-balance sheet events, as of the date of approval of the financial report, there were no other significant post-balance sheet events that should have been disclosed but were not disclosed by the Company.

XIV. OTHER SIGNIFICANT EVENTS

(I) Correction of early accounting errors

No early accounting errors in the use of prospective approach are found in this reporting period.

(II) Segment information

1. The basis for the determination of the segment report and the accounting policy

Our corporate is based on internal organizational structure, management requirements, and internal reporting system as the basis for determining the operating segment. The business branch of the Company refers to a component that meets the following conditions at the same time:

(1) This component can generate income and cost in daily activities;

(2) The management can regularly evaluate the operating results of the component in order to determine the allocation of resources to it and evaluate its performance;

(3) The accounting information, such as the financial situation, the operating results and the cash flow of the component, can be obtained.

The Company determines the segment report on the basis of the operating segments, and the operating segments, which meets the following conditions, is determined to be a segment report:

(1) The operating segments accounts for 10% or more of the total income of the division.

(2) The absolute profit(loss) of the segment profit of the segment accounts for 10% or more of the total amount of the total profits of all profit segments or the total amount of all deficit segment losses.

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(II) Segment information (Continued)

1. The basis for the determination of the segment report and the accounting policy (Continued)

When the total amount of revenue from external transactions of the operating segment under the reporting segment determined according to the above accounting policies does not account for 75% of the total consolidated revenue, the number of reporting segments will be increased by including other operating segments not as reporting segments into the scope of reporting segments according to the following provisions until the proportion reaches 75%:

(1) Determine the operating segment that the management believes the disclosure of the operating segment information is useful to the users of accounting information as the reporting segment;

(2) The operating segment is merged with one or more other operating segments with similar economic characteristics and meeting the conditions for business segment merger as a reporting segment.

Interdivisional transfer price is determined by market price, and the assets and related expenses shared by different branches are distributed among different segments according to the proportion of income.

2. The factors for segments' classification and the types of products and services of a segment

Each segment is a business unit that provides different products and services. Because various business needs different technology and market strategy, the Company independently manages the production and operation activities of each report branch, evaluates its operation result separately, decides to allocate resources to it, evaluates its performance.

The company has three reporting divisions: Copper cables and related products, optical communication products, wire casings and related products.

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(II) Segment information (Continued)

3. Reporting segment

Items	Closing balance/Current period amount Copper cables and related products	Optical communication products	Wire casings and related products	Elimination	Total
1. Operating Revenue	135,802,908.11	191,141,150.66	12,474,017.78	–35,404,468.64	304,013,607.91
Including: External transaction revenue	100,398,439.47	191,141,150.66	12,474,017.78		304,013,607.91
Revenue between segments	35,404,468.64			–35,404,468.64	
2. Operating Cost	142,789,375.14	178,769,301.74	9,894,526.73	–35,404,468.64	296,048,734.97
Including: Depreciation and Amortization	9,441,926.86	7,812,368.57	2,884,863.36		20,139,158.79
3. Investments income in associates and joint ventures	–8,048,498.71				–8,048,498.71
4. Credit loss	2,596,277.67	–59,410.69	262,847.77	–160,529.07	2,639,185.68
5. Asset impairment loss	–2,113,631.28	–3,057,871.13			–5,171,502.41
6. Total profits	–13,187,836.08	9,527,845.17	5,306,077.29	–160,529.07	1,485,557.31
7. Cost of income tax	–101,319.54				–101,319.54
8. Net profit	–13,086,516.54	9,527,845.17	5,306,077.29	–160,529.07	1,586,876.85
9. Total assets	808,452,360.07	233,027,756.09	85,869,301.95	–109,354,010.61	1,017,995,407.50
10. Total liabilities	116,607,476.83	13,694,451.49	49,682,392.31	–5,569,394.14	174,414,926.49
11. Other important non-cash items	63,300.00	132,035.00			195,335.00

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Leases

The Company is a lessor

1. Operating lease

(1) lease income

Items	Current period cumulative	Preceding period comparative
lease income	**27,562,466.52**	26,613,581.50
Including: Income relating to variable lease payments not included in the measurement of the lease liability		

(2) Please refer to section VI 12 of Notes to the Financial Statements for details on buildings leased out under operating leases

(3) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining years	Closing balance	Opening balance
Within 1 year	**19,411,889.61**	16,931,714.69
1–2years	**13,370,787.51**	7,630,110.70
2–3years	**6,846,248.92**	5,135,520.00
Over 3 years	**3,934,203.88**	3,573,409.74
Total	**43,563,129.92**	33,270,755.13

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Leases (Continued)

2. Other information

Categories of underlying assets	Amount	Lease term	Whether the lease contains renewal option or not
Plants; offices	102,132.50 m^2	From 1/1/2022 to 30/4/2027	Yes

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET

Note 1. Accounts receivable

1. Details of accounts receivable with age analysis method

Age	Closing balance	Opening balance
Within 1 year	**55,417,496.05**	44,432,328.76
1–2 years	**4,681,978.47**	3,202,114.15
2–3 years	**923,765.73**	11,551,257.70
Over 3 years	**27,450,583.35**	56,428,233.76
Subtotal	**88,473,823.60**	115,613,934.37
Less: Provision for bad debts	**26,825,322.27**	44,687,955.20
Total	**61,648,501.33**	70,925,979.17

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 1. Accounts receivable (Continued)

2. Details of accounts receivable with provision for bad debts on categories

	Closing balance				
	Book balance		Provision for bad debts		
Categories	Amount	% to total	Amount	Provision proportion (%)	Carrying amount
Receivable with provision made on an individual basis	**19,883,466.12**	**22.47**	**19,883,466.12**	**100.00**	
Receivable with provision made on a collective basis	**68,590,357.48**	**77.53**	**6,941,856.15**	**10.12**	**61,648,501.33**
Including: Related party portfolio	**37,214,489.21**	**42.06**	**186,072.45**	**0.50**	**37,028,416.76**
Non-related party portfolio	**31,375,868.27**	**35.46**	**6,755,783.70**	**21.53**	**24,620,084.57**
Total	**88,473,823.60**	**100.00**	**26,825,322.27**	**30.32**	**61,648,501.33**

Continued:

	Opening balance				
	Book balance		Provision for bad debts		
Categories	Amount	% to total	Amount	Provision proportion (%)	Carrying amount
Receivable with provision made on an individual basis	37,428,834.50	32.37	37,428,834.50	100.00	
Receivable with provision made on a collective basis	78,185,099.87	67.63	7,259,120.70	9.28	70,925,979.17
Including: Related party portfolio	26,425,135.09	22.86	132,125.67	0.50	26,293,009.42
Non-related party portfolio	51,759,964.78	44.77	7,126,995.03	13.77	44,632,969.75
Total	115,613,934.37	100.00	44,687,955.20	38.65	70,925,979.17

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 1. Accounts receivable (Continued)

3. Accounts receivable with provision made on an individual basis

Debtors	Closing balance Book balance	Provision for bad debts	Provision proportion (%)	Reasons
KAB/VOLEX KABKableprektion	**2,058,597.74**	**2,058,597.74**	**100.00**	Not expect to be recoverable
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	**1,985,718.44**	**1,985,718.44**	**100.00**	Not expect to be recoverable
Shenyang Hengfuda Communication Equipment Co., Ltd	**1,621,814.62**	**1,621,814.62**	**100.00**	Not expect to be recoverable
Sichuan Chuandong Electromechanical Equipment Installation Company	**1,606,692.41**	**1,606,692.41**	**100.00**	Not expect to be recoverable
Yiwu Zhihaoda E-commerce Co., Ltd	**1,344,969.65**	**1,344,969.65**	**100.00**	Not expect to be recoverable
China National Postal & Telecommunications Appliance Middle &South CORP	**1,116,797.27**	**1,116,797.27**	**100.00**	Not expect to be recoverable
Sales branch of Chengdu Cables factory	**1,062,382.43**	**1,062,382.43**	**100.00**	Not expect to be recoverable
Henan Qingfeng County Industry and Commerce United Trading Company	**1,007,986.64**	**1,007,986.64**	**100.00**	Not expect to be recoverable
Sichuan Huiyuan optical communications Co.,Ltd	**1,007,072.46**	**1,007,072.46**	**100.00**	Not expect to be recoverable
Other 44 companies	**7,071,434.46**	**7,071,434.46**	**100.00**	Not expect to be recoverable
Total	**19,883,466.12**	**19,883,466.12**	**–**	

4. Accounts receivable with provision made on a collective basis

(1) Related party portfolio

Age	Closing balance Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	**36,745,374.99**	**183,726.88**	**0.50**
1–2 years	**130,000.00**	**650.00**	**0.50**
2–3 years	**214,800.60**	**1,074.00**	**0.50**
Over 3 years	**124,313.62**	**621.57**	**0.50**
Total	**37,214,489.21**	**186,072.45**	**0.50**

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 1. Accounts receivable (Continued)

4. Accounts receivable with provision made on a collective basis (Continued)

(2) Non-related party portfolio

Age	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 1 year	**18,672,121.06**	**552,694.78**	**2.96**
1–2 years	**4,551,978.47**	**944,535.53**	**20.75**
2–3 years	**708,965.13**	**309,392.38**	**43.64**
Over 3 years	**7,442,803.61**	**4,949,161.01**	**66.50**
Total	**31,375,868.27**	**6,755,783.70**	**21.53**

5. Changes in provision for bad debts

Categories	Opening balance	Changes Accrual	Recovery or reversal	Write- off	Others	Closing balance
Receivable with provision made on an individual basis	37,428,834.50		475,578.04	17,945,895.34	876,105.00	**19,883,466.12**
Receivable with provision made on a collective basis	7,259,120.70	47,634.67	1,368,222.02		1,003,322.80	**6,941,856.15**
Including: Related party portfolio	132,125.67	47,634.67			6,312.11	**186,072.45**
Non-related party portfolio	7,126,995.03		1,368,222.02		997,010.69	**6,755,783.70**
Total	44,687,955.20	47,634.67	1,843,800.06	17,945,895.34	1,879,427.80	**26,825,322.27**

Other changes are caused by merger its subsidiary Chengdu Zhongling Radio Communications Co., Ltd..

Including: The details of Recovery or reversal are as follows:

Debtors	Recovery or reversal amount	Recovery or reversal method
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	**464,475.42**	Liquidation of debts
Total	**464,475.42**	

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 1. Accounts receivable (Continued)

6. Write-off Accounts receivables in current period

Items	Write-off amount
Write-off Accounts Receivables	17,945,895.34

The important write-off accounts receivable is as follows:

Debtors	Nature of accounts receivable	Written-off amount	Written-off reason	The verification procedures performed	Whether generated by connected party transactions
Chengdu Optical Communication Network Development Co., Ltd and other 167 companies	Payment for goods	17,945,895.34	Unrecoverable	Board resolution	No
Total	–	17,945,895.34	–	–	–

7. Details of the top 5 debtors with largest balances

Debtors	Closing balance	Proportion to the closing balance of accounts receivable (%)	Provision for bad debts
Chengdu SIWI High-Tech Industrial Co,Ltd.	**35,940,319.55**	40.62	179,701.60
Zhuzhou CRRC Times Electric Co. Ltd	**4,051,701.14**	4.58	119,930.35
CRRC Ziyang Locomotive Co. Ltd	**3,031,432.54**	3.43	1,189,970.65
CRRC Zhuzhou Electric Locomotive Co. Ltd	**2,537,240.27**	2.87	75,102.31
KAB/VOLEX KABKableprektion	**2,058,597.74**	2.32	2,058,597.74
Total	**47,619,291.24**	53.82	3,623,302.65

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 2. Other receivables

Items	Closing balance	Opening balance
Interests receivables		
Dividends receivable		
Other receivables	**3,703,483.29**	38,420,398.83
Total	**3,703,483.29**	38,420,398.83

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

Other receivables

1. Details of other receivables with age analysis method

Age	Closing balance	Opening balance
Within 1 year	**607,923.02**	33,708,135.31
1–2 years	**342,872.45**	2,045,452.66
2–3 years	**821,707.90**	2,163,364.89
3–4 years	**83,544.48**	392,124.67
4–5 years	**94,766.82**	99,350.65
Over 5 years	**25,485,812.01**	27,673,621.63
Subtotal	**27,436,626.68**	66,082,049.81
Less: Provision for bad debts	**23,733,143.39**	27,661,650.98
Total	**3,703,483.29**	38,420,398.83

2. Details of other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Temporary advance payment receivable	**24,517,728.13**	28,252,262.13
Deposit, reserve and assurance	**2,918,898.55**	6,499,637.68
Equity transfer payment		31,330,150.00
Total	**27,436,626.68**	66,082,049.81

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 2. Other receivables (Continued)

3. Details of other receivable with impairment three phase

Items	Closing balance Book balance	Closing balance Provision for bad debts	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for bad debts	Opening balance Carrying amount
Phase I	**3,722,093.76**	**18,610.47**	**3,703,483.29**	38,613,466.16	193,067.33	38,420,398.83
Phase II						
Phase III	**23,714,532.92**	**23,714,532.92**		27,468,583.65	27,468,583.65	
Total	**27,436,626.68**	**23,733,143.39**	**3,703,483.29**	66,082,049.81	27,661,650.98	38,420,398.83

4. Details of accounts receivable with provision for bad debts on categories

Categories	Closing balance Book balance Amount	Book balance Proportion (%)	Provision for bad debts Amount	Provision for bad debts Proportion (%)	Carrying amount
Receivable with provision made on an individual basis	**3,248,940.91**	**11.84**	**3,248,940.91**	**100.00**	
Receivable with provision made on a collective basis	**24,187,685.77**	**88.16**	**20,484,202.48**	**84.69**	**3,703,483.29**
Including: Portfolio grouped with deposit, reserve and assurance of non-related party	**1,132,069.73**	**4.13**	**5,660.35**	**0.5**	**1,126,409.38**
Portfolio grouped with related party	**1,959,272.09**	**7.14**	**9,796.36**	**0.5**	**1,949,475.73**
Others	**21,096,343.95**	**76.89**	**20,468,745.77**	**97.03**	**627,598.18**
Total	**27,436,626.68**	**100.00**	**23,733,143.39**	**86.50**	**3,703,483.29**

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 2. Other receivables (Continued)

4. Details of accounts receivable with provision for bad debts on categories (Continued)

Continued:

Categories	Opening balance Book balance Amount	Proportion (%)	Provision for bad debts Amount	Proportion (%)	Carrying amount
Receivable with provision made on an individual basis	4,320,646.95	6.54	4,320,646.95	100.00	
Receivable with provision made on a collective basis	61,761,402.86	93.46	23,341,004.03	37.79	38,420,398.83
Including: Portfolio grouped with deposit, reserve and assurance of non-related party	6,499,637.68	9.84	4,807,826.31	73.97	1,691,811.37
Portfolio grouped with related party	5,097,112.61	7.71	25,485.56	0.50	5,071,627.05
Others	50,164,652.57	75.91	18,507,692.16	36.89	31,656,960.41
Total	66,082,049.81	100.00	27,661,650.98	41.86	38,420,398.83

5. Other receivable with provision made on an individual basis

Debtors	Closing balance Book balance	Provision for bad debts	Provision proportion (%)	Reasons
XIA Chade	**3,000,000.00**	**3,000,000.00**	100.00	Not expected to be recoverable
Chengdu Peak Power Supply Co., Ltd.	**248,940.91**	**248,940.91**	100.00	Not expected to be recoverable
Total	**3,248,940.91**	**3,248,940.91**	–	

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 2. Other receivables (Continued)

6. Other receivable with provision made on a collective basis

Portfolio	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Portfolio grouped with deposit, reserve and assurance of non-related party	**1,132,069.73**	**5,660.35**	**0.50**
Portfolio grouped with related party	**1,959,272.09**	**9,796.36**	**0.50**
Others	**21,096,343.95**	**20,468,745.77**	**97.03**
Total	**24,187,685.77**	**20,484,202.48**	**84.69**

7. Changes in provision for bad debts

Provision for bad debts	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses (credit not impaired)	Phase III Lifetime expected credit losses (credit impaired)	Total
Opening balance	193,067.33		27,468,583.65	27,661,650.98
Opening balance in the current period				
— Transferred to phase II				
— Transferred to phase III				
— Reversed to phase II				
— Reversed to phase I				
Provision made in the current period			19,490.00	19,490.00
Provision recovered in current period	147,363.05			147,363.05
Provision reversed in current period				
Provision write off in current period	14,391.62		3,773,540.73	3,787,932.35
Other changes	12,702.19			12,702.19
Closing balance	**18,610.47**		**23,714,532.92**	**23,733,143.39**

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 2. Other receivables (Continued)

8. Write-off Other receivables in current period

Items	Write-off amount
Write-off Other Receivables	**3,787,932.35**

The important write-off other receivables is as follows:

Debtors	Nature of accounts receivable	Written-off amount	Written-off reason	The verification procedures performed	Whether generated by connected party transactions
Beijing Hongfei Communication Co. Ltd and other 33 companies	Current account	3,787,932.35	Unrecoverable	Board resolution	No
Total	–	3,787,932.35	–	–	–

9. Details of the top 5 debtors with large balances

Debtors	Nature of receivables	Closing balance	Age	Proportion to the total balance of other receivables	Provision for bad debts
Tazishan Material Factory	Temporary payment receivable	8,391,138.00	Over 5 years	30.58	8,391,138.00
Soundtek Technology (Suzhou) Co., Ltd.	Security deposit	4,786,324.75	Over 5 years	17.45	4,786,324.75
Shenzhen Fuyu Industrial Co., Ltd	Temporary payment receivable	3,566,915.53	Over 5 years	13.00	3,566,915.53
XIA Chade	Temporary payment receivable	3,000,000.00	Over 5 years	10.93	3,000,000.00
China Potevio Company Limited	Deposit	1,786,828.82	Over 5 years	6.52	8,934.14
Total		21,531,207.10		78.48	19,753,312.42

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 3. Long-term equity investments

	Closing balance			Opening balance		
Items	**Book balance**	**Provision for impairment**	**Carrying amount**	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	**104,938,195.86**		**104,938,195.86**	177,640,969.81		177,640,969.81
Investments in associates	**36,586,189.46**	**298,559.72**	**36,287,629.74**	44,634,688.17	298,559.72	44,336,128.45
Total	**141,524,385.32**	**298,559.72**	**141,225,825.60**	222,275,657.98	298,559.72	221,977,098.26

1. Investments in subsidiaries

Investees	Initial investment cost (unit: 100,000 USD)	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Chengdu SEI Optical Fiber Co.,Ltd.	1020	70,424,819.71			**70,424,819.71**		
Chengdu Zhongling Radio Communications Co.,Ltd.	7389	72,702,773.95		72,702,773.95			
Chengdu PUTIAN New Material Co., Ltd	5982	34,513,376.15			**34,513,376.15**		
Total		177,640,969.81		72,702,773.95	**104,938,195.86**		

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 3. Long-term equity investments (Continued)

2. Investments in associates

Investees	Opening balance	Increase/Decrease: Investments increased	Investment decreased	Investment income recognized under equity method	Adjustment on other comprehensive income
Putian Fasten Cable Telecommunication Co., Ltd.	39,534,586.92			–6,095,498.59	
Chengdu Bada Socket Connector Co., Ltd.	4,801,541.53			–1,953,000.12	
Chengdu Yuexin Communication Materials Co., Ltd	172,656.37				
Chengdu Cable Material Factory	125,903.35				
Total	44,634,688.17			–8,048,498.71	

Continued:

Investees	Increase/Decrease: Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Putian Fasten Cable Telecommunication Co., Ltd.					33,439,088.33	
Chengdu Bada Socket Connector Co., Ltd.					2,848,541.41	
Chengdu Yuexin Communication Materials Co., Ltd					172,656.37	172,656.37
Chengdu Cable Material Factory					125,903.35	125,903.35
Total					36,586,189.46	298,559.72

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 4. Operating revenue/Operating cost

1. Details

Items	Current period cumulative Revenue	Current period cumulative Cost	Preceding period cumulative Revenue	Preceding period cumulative Cost
Main operations	**71,241,775.99**	**59,888,081.21**	114,957,534.02	114,278,943.56
Other operations	**38,134,121.34**	**15,363,709.26**	36,429,704.67	14,629,653.42
Total	**109,375,897.33**	**75,251,790.47**	151,387,238.69	128,908,596.98

2. Details of contract revenue

Categories	Copper cable and related products
Product types	
Track cable	34,615,510.75
5G mobile intelligent terminal trade	1,630,285.04
Optical cable assembly	31,745,969.60
Processing service	2,867,100.89
Others	382,909.71
Subtotal	71,241,775.99
Recognition time	
Transferred at a point in time	71,241,775.99
Total	71,241,775.99

Note: The difference between operating revenue and contract revenue is the income from leasing business.

XV. NOTES TO ITEMS OF PARENT COMPANY BALANCE SHEET (CONTINUED)

Note 5. Investment income

Items	Current period cumulative	Preceding period cumulative
Gain on disposal of long-term equity investments	**–8,048,498.71**	–14,422,498.48
Investment income from long-term equity investments under equity method		18,067,512.12
Investment income from long-term equity investments under cost method	**59,003.10**	
Others		–103,003.38
Total	**–7,989,495.61**	3,542,010.26

XVI. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss in current period

Item	Amount	Remark
Gains on disposal of non-current assets	–44,631.64	Section VI (Notes 46, 47)
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, and continuously enjoyed with certain quantity/quota based on certain standards)	3,037,972.31	Section VI (Notes 53)
The reversals of accounts receivables impairment provision subject to separate impairment testing	464,475.42	Section VI (Notes 3)
Other non-operating revenue or expenditures	1,008,609.20	Section VI (Notes 46 and 47)
Other profit or loss satisfying the definition of non-recurring profit or loss	–1,378,247.53	Tax and fee reduction and one-off provision of retiring benefits
Less: Business income tax effects		
Non-controlling interest affected (after tax)	107,967.63	
Total	2,980,210.13	

XVI. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) RONA and EPS

1. Details

Profit of the reporting period	Weighted average RONA (%)	EPS Basic EPS	EPS Diluted EPS
Net profit attributable to shareholders of ordinary shares	–0.29	–0.01	–0.01
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	–0.69	–0.01	–0.01

2. Calculation process of weighted average RONA

Item		Symbol	Current period cumulative
Net profit attributable to shareholders of ordinary shares		A	**–2,224,261.22**
Non-recurring profit or loss		B	**2,980,210.13**
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss		C=A-B	**–5,204,471.35**
Opening balance of net assets attributable to shareholders of ordinary shares		D	**754,883,248.41**
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares		E	**3,168,000.00**
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F	**9**
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G	
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H	
Others	Increase in net assets caused by changes in fair value of other equity instruments	I	**20,172.00**
	Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J	**6.00**
Number of months in the reporting period		K	**12**
Weighted average net assets		L=D+A/2+E×F/K-G×H/K±I×J/K	**756,157,203.80**
Weighted average RONA		M=A/L	**–0.29%**
Weighted average RONA after deducting non-recurring profit or loss		N=C/L	**–0.69%**

XVI. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) RONA and EPS (Continued)

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Item	Symbol	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	**–2,224,261.22**
Non-recurring profit or loss	B	**2,980,210.13**
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	**–5,204,471.35**
Opening balance of total shares	D	**400,000,000.00**
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	
Number of months counting from the next month when the share was increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the share was decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	**12.00**
Weighted average of outstanding ordinary shares	L=D+E+F×G/K-H×I/K-J	**400,000,000.00**
Basic EPS	M=A/L	**–0.01**
Basic EPS after deducting non-recurring profit or loss	N=C/L	**–0.01**

(2) Calculation process of diluted EPS

The process of calculating the diluted earnings per share is same as the calculation of the basic earnings per share.

CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY

成都四威科技股份有限公司

ENGLISH NAME OF THE COMPANY

Chengdu SIWI Science and Technology Company Limited

LEGAL REPRESENTATIVE

Li Tao

EXECUTIVE DIRECTORS

Li Tao *(Chairman)*
Wu Xiaodong
Hu Jiangbing
Zhu Rui
Jin Tao
Chen Wei (Appointed on 6 September 2022)
Li Jianyong (Resigned on 6 September 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fu Wenjie
Zhong Qishui
Xue Shujin (Appointed on 6 September 2022)
Xiao Xiaozhou (Resigned on 6 September 2022)

SUPERVISORS

Wang Cheng *(Chairman)*
Gao Bo (Appointed on 9 December 2022)
Liu Jun
Xiong Ting (Resigned on 10 November 2022)

COMPANY SECRETARY

Shum Shing Kei

QUALIFIED ACCOUNTANT

Xu Guangde

AUTHORIZED REPRESENTATIVES

Wu Xiaodong
Shum Shing Kei

BOARD COMMITTEES

AUDIT COMMITTEE

Fu Wenjie *(Chairman)*
Zhong Qishui
Xue Shujin

REMUNERATION AND APPRAISAL COMMITTEE

Zhong Qishui *(Chairman)*
Fu Wenjie
Xue Shujin
Jin Tao
Chen Wei

NOMINATION COMMITTEE

Li Tao *(Chairman)*
Fu Wenjie
Xue Shujin
Zhong Qishui
Zhu Rui

STRATEGIC DEVELOPMENT COMMITTEE

Wu Xiaodong *(Chairman)*
Hu Jiangbing
Fu Wenjie
Zhong Qishui
Xue Shujin

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SOCIAL CREDIT CODE

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TIME OPEN FOR SHAREHOLDERS RECEPTION

On 8th and 18th every month (or the following day in case of holiday in the PRC)
9:00 am to 12:00 noon
2:00 pm to 5:00 pm
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