

Zhuhai ACCESS Semiconductor Co., Ltd

Auditor's Report

Baker Tilly China [2024] No.11571

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## AUDITOR'S REPORT

Baker Tilly China [2024] No.11571

To the shareholders of Zhuhai ACCESS Semiconductor Co., Ltd:

### **I. Opinion**

We have audited the accompanying financial statements of Zhuhai ACCESS Semiconductor Co., Ltd (the “Company”), which comprise the consolidated and company balance sheets as at 31 December 2023, the consolidated and the Company’s income statements for the year then ended, the consolidated and the Company’s cash flow statements for the year then ended, the consolidated and the Company’s statements of changes in owner’s equity for the year then ended, and the notes to the financial statements.

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

### **II. Basis for opinion**

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

### **III. Emphasis of Matter**

This report is intended solely for the purpose of preparing the consolidated financial statements of the Company to Amitec Advanced Multilayer Interconnect Technologies Ltd. and may not be used for any other purpose.

### **IV. Management and those charged with governance responsibility for the financial statements**

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the CSAs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, 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 management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

### **V. Auditor's responsibility**

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

these financial statements.

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

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

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

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 these 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.

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

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

We communicate with those charged with governance regarding, among other

matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly China	Chinese Certified Public Accountant:	Mai Jianqing
Beijing, China		_____
1 March 2024	Chinese Certified Public Accountant:	Wang Juan
		_____

## Consolidated Balance Sheet

Company: Zhuhai ACCESS Semiconductor Co., Ltd

31 December 2023

Unit: RMB

ITEM		31-12-23	31-12-22	Notes
<b>Current Assets:</b>	1			
Cash and cash equivalents	2	566,123,120.63	584,297,006.41	VII.1
△Settlement reserve	3			
△Due from banks and other financial institutions	4			
Financial assets measured by fair value through profit or loss	5			
Financial assets held for trading	6			
Derivative Financial assets	7			
Notes Receivable	8	2,752,004.33	4,424,888.48	VII.2
Accounts Receivable	9	471,554,750.17	259,116,791.69	VII.3
Prepayments	10	13,534,326.39	8,036,109.87	VII.4
△Premium receivable	11			
△Reinsurance premium receivable	12			
△Reserve receivable for reinsurance	13			
Other receivables	14	5,187,171.16	9,611,206.98	VII.5
Including: Interest receivable	15			
Dividend receivable	16			
△Financial assets purchased under resale agreements	17			
Inventories	18	226,076,931.14	189,949,213.92	VII.6
Available for sale assets	19			
Non-current assets due within one year	20			
Other current assets	21	14,201,282.29	38,505,205.37	VII.7
<b>Total current assets</b>	22	1,299,429,586.11	1,093,940,422.72	
<b>Non-current assets:</b>	23			
△Loans and advances	24			
Available-for-sale financial assets	25			
Held-to-maturity investments	26			
Long-term receivables	27		1,108,736.56	VII.8
Long-term equity investments	28			
Other equity instrument Investment	29	34,556.54	146,859.29	VII.9
Investment properties	30	1,797,866.81	2,042,524.61	VII.10
Fixed assets	31	2,497,979,179.76	1,937,504,328.94	VII.11
Construction in progress	32	300,209,897.54	714,310,138.69	VII.12
Bearer biological assets	33			
Oil and gas assets	34			
Right-of-use asset	35	36,944,815.64	47,457,151.10	VII.13
Intangible assets	36	86,906,819.31	96,791,919.59	VII.14
Development expenditure	37			
Goodwill	38			
Long-term prepaid expenses	39	23,507,809.72	24,137,997.04	VII.15
Deferred tax assets	40	161,429,458.27	95,573,294.60	VII.16
Other non-current assets	41	20,528,229.81	52,980,038.01	VII.17
<b>Total Non-current Assets</b>	42	3,129,338,633.40	2,972,052,988.43	
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<b>Total Assets</b>	79	4,428,768,219.51	4,065,993,411.15	

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

# **Consolidated Balance Sheet (Continued)**

Company: Zhuhai ACCESS Semiconductor Co., Ltd

31 December 2023

Unit: RMB

ITEM		31-12-23	31-12-22	Notes
<b>Current liabilities:</b>	80			
Short-term borrowings	81	202,436,273.36	114,789,546.01	VII.18
△Borrowings from central bank	82			
△Placement from banks and other financial institutions	83			
Financial liabilities measured by fair value through profit or loss	84			
Derivative Financial liabilities	85			
Notes payable	86		12,140,175.47	VII.19
Accounts payable	87	273,787,272.02	145,326,637.49	VII.20
Receipts in advance	88			
Contract liability	89	53,174,801.78	66,727,296.35	VII.21
△Financial assets sold under repurchase agreements	90			
△Deposit from customers and interbank	91			
△Securities brokering	92			
△Securities underwriting	93			
Employee benefits payable	94	33,496,567.64	33,518,752.20	VII.22
Inc: Wages payable	95	33,496,567.64	33,518,752.20	VII.22
Benefits payable	96			
#Inc: Bonus and Welfare Funds	97			
Taxes payable	98	35,460,556.07	22,779,998.96	VII.23
Inc: Taxes payable	99	33,782,402.16	21,647,232.23	VII.23
Other payable	100	289,157,243.24	483,449,186.71	VII.24
Including: Interest payable	101			
Dividend payable	102			
△Reinsurance amounts payable	103			
△Reserve of insurance contract	104			
Held-for-sale liabilities	105			
Non-current Liabilities due within One Year	106	179,942,821.09	158,536,883.43	VII.25
Other current liabilities	107	6,827,358.43	8,285,577.80	VII.26
<b>Total Current Liabilities</b>	108	1,074,282,893.63	1,045,554,054.42	
Non-current Liabilities:	109			
△Provision for insurance contracts	110			
Long-term borrowings	111	353,549,557.71	275,515,452.72	VII.27
Bonds payable	112			
Inc: preference share	113			
Perpetual bond	114			
Lease liabilities	115	25,761,643.21	34,059,419.15	VII.28
Long-term payables	116			
Long-term employee benefits payable	117			
Provisions	118			
Estimated liabilities	119	13,453,477.38	11,570,037.43	VII.29
Deferred Income	120	92,613,762.83	78,839,370.21	VII.30
Deferred tax liabilities	121	153,966,954.75	109,128,166.88	VII.31
Other non-current liabilities	122			
	123			
<b>Total Non-current Liabilities</b>	124	639,345,395.88	509,112,446.39	
<b>Total Liabilities</b>	125	1,713,628,289.51	1,554,666,500.81	
Owners' equity:	126			
Paid-in capital (share capital)	127	891,673,045.00	891,673,045.00	VII.32
State owned capital	128	299,789,585.00	299,789,585.00	VII.32
Inc: State-owned legal person's capital	129	299,789,585.00	299,789,585.00	VII.32
Collective Capital	130			
Private capital	131	235,702,340.00	235,702,340.00	VII.32
Inc: Individual capital	132			
Foreign capital	133	356,181,120.00	356,181,120.00	VII.32
Deduct: capital redemption	134			
Net paid-in capital	135	891,673,045.00	891,673,045.00	VII.32
Other equity instrument	136			
Inc: preference share	137			
Perpetual bond	138			
Capital reserve	139	963,060,925.96	939,303,852.36	VII.33
Deduct: Treasury shares	140			
Other comprehensive income	141	692,969.78	628,276.06	VII.34
Translation difference arising on translation of financial statements denominated in foreign currencies	142	1,058,413.24	881,416.77	VII.34
Special reserve	143			
Surplus reserve	144	97,654,320.45	73,055,993.04	VII.35
Inc: Statutory surplus reserve	145	97,654,320.45	73,055,993.04	VII.35
Discretionary surplus reserve	146			
#Reserve fund	147			
#Corporate development fund	148			
#Return of investment	149			
△General risk reserve	150			
Retained earnings	151	762,058,668.81	606,665,743.88	VII.36
	152			
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	154			
<b>Total Owners' Equity Attributable To the Company</b>	155	2,715,139,930.00	2,511,326,910.34	
	156			
<b>Total Owners' Equity</b>	157	2,715,139,930.00	2,511,326,910.34	
<b>Total Liabilities and Owners' Equity</b>	158	4,428,768,219.51	4,065,993,411.15	

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

## Consolidated Income Statement

Company: Zhuhai ACCESS Semiconductor Co., Ltd

2023.1-12

Unit: RMB

ITEM		2023.1-12	2022.1-12	Notes
<b>I. Total operating income</b>	1	1,711,167,557.59	1,675,006,561.13	
Including: Operating income	2	1,711,167,557.59	1,675,006,561.13	VII.37
Interest income	3			
Premiums earned	4			
Fee and commission income	5			
<b>II. Total operating costs</b>	6	1,496,244,871.33	1,189,306,832.82	
Including: Operating costs	7	1,250,194,395.55	1,020,214,374.13	VII.37
△Interest expenses	8			
△Fee and commission expenses	9			
△Surrenders	10			
△Claims and policyholder benefits (net of amounts recoverable from reinsurers' share)	11			
△Changes in insurance contract reserves (net of reinsurers' share)	12			
△Insurance policyholder dividends	13			
△Reinsurance expenses	14			
Business taxes and levies	15	17,990,368.96	18,695,948.55	VII.38
Selling expenses	16	32,345,996.81	17,934,042.62	VII.39
Administrative expenses	17	76,174,398.84	40,984,684.16	VII.40
Inc: Expenses for Party Construction	18			
Research and development expenses	19	97,355,521.28	66,590,232.15	VII.41
Financial expenses	20	22,184,189.89	24,887,551.21	VII.42
Inc: Interest expenses	21	34,992,349.61	33,428,229.25	VII.42
Interest incomes	22	12,716,177.84	16,207,421.15	VII.42
Add: Other income	23	31,278,179.04	21,820,817.38	VII.43
Investment income (Losses are indicated by "-")	24			
Including: Income from investments in associates and joint ventures	25			
△Foreign exchange gains (Losses are indicated by "-")	26			
Gains from changes in fair values (Losses are indicated by "-")	27			
Loss on impairment of assets (Losses are indicated by "-")	28	-51,360,605.42	-6,819,380.16	VII.44
Profit on disposal of assets (Losses are indicated by "-")	29	6,127.90	74,710.65	VII.45
<b>III. Operating profit (Loss is indicated by "-")</b>	30	194,846,387.78	500,775,876.18	
Add: Non-operating income	31	2,898,645.18	1,697,017.68	VII.46
Less: Non-operating expenses	32	785,690.63	1,615,916.36	VII.47
<b>IV. Total profit (Total Loss is indicated by "-")</b>	33	196,959,342.33	500,856,977.50	
Less: Income tax expenses	34	18,559,676.40	74,698,832.73	VII.48
<b>V. Net profit (Net loss is indicated by "-")</b>	35	178,399,665.93	426,158,144.77	
1) Net profit from continuing operations (Loss is indicated by "-")	36	178,399,665.93	426,158,144.77	
2) Net profit from discontinued operations (Loss is indicated by "-")	37			
<b>VI. Other comprehensive income after tax</b>	38	64,693.72	569,444.84	
1. Other comprehensive income not reclassified into gains or losses	39	-112,302.75	-253,140.71	
Inc: Remeasured defined benefit plan net liabilities or net assets changes	40			
Under the equity method, the share of other comprehensive income not reclassified into gains or losses	41	-112,302.75	-253,140.71	
2. Other comprehensive income classified into gains or losses	42	176,996.47	822,585.55	
Under the equity method, the share of other comprehensive income reclassified into gains or losses	43			
Gains or losses of fair value of Available for sale financial asset	44			
Gains or losses of held to maturity investment reclassified into available for sale asset	45			
Effective portion of profit or loss on cash flow hedging	46			
Foreign currency financial statement translation difference	47	176,996.47	822,585.55	
Others	48			
<b>VIII. Total comprehensive income</b>	49	178,464,359.65	426,727,589.61	
Total comprehensive income attributable to owners of the Company	50	178,464,359.65	426,727,589.61	
Total comprehensive income attributable to minority interests	51			
<b>IX. Earnings per share</b>	52			
Basic earnings per share	53	0.20	0.48	
Diluted earnings per share	54	0.20	0.48	

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:



## Consolidated Cash Flow Statement

Company: Zhuhai ACCESS Semiconductor Co., Ltd

2023.1-12

Unit: RMB

ITEM		2023.1-12	2022.1-12	Notes
<b>I. Cash Flows from Operating Activities:</b>	1			
Cash receipts from the sale of goods and the rendering of services	2	1,673,216,253.03	1,932,628,554.86	
ΔNet increase in deposits and placements from financial institutions	3			
ΔNet increase in due to central banks	4			
ΔNet increase in placement from financial institutions	5			
ΔCash received from premiums of original insurance contracts	6			
ΔNet amount of reinsurance business	7			
ΔNet increase in insured's deposits and investments	8			
ΔNet increase in disposal of financial assets at fair value through profit and loss	9			
ΔCash received from interests, fees and commissions	10			
ΔNet increase of placement from banks and other financial institutions	11			
ΔNet increase in repurchasing	12			
Taxes and surcharges refunds	13	94,683,902.35	18,163,957.92	
Other cash receipts related to operating activities	14	59,535,066.63	37,289,586.57	
<b>Sub-total of cash inflows from operating activities</b>	15	1,827,435,222.01	1,988,082,099.35	
Cash payments for goods purchased and services received	16	1,034,642,389.84	917,668,016.54	
ΔNet increase in loans and advances	17			
ΔNet increase in deposits with central banks and other financial institutions	18			
ΔCash paid for claim settlements on original insurance contracts	19			
ΔCash paid for interests, fees and commissions	20			
ΔCash paid for policy dividends	21			
Cash paid to and for employees	22	307,126,984.30	275,401,236.74	
Cash paid for all types of taxes	23	102,999,385.35	137,284,403.57	
Other cash payments related to operating activities	24	45,755,995.30	46,613,919.88	
<b>Sub-total of cash outflows from operating activities</b>	25	1,490,524,754.79	1,376,967,576.73	
<b>Net Cash Flow from Operating Activities</b>	26	336,910,467.22	611,114,522.62	VII.49
<b>II. Cash Flows from Investing Activities:</b>	27			
Cash receipts from disposals and recovery of investments	28			
Cash receipts from investment income	29			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term	30		270,500.00	
Net cash receipts from disposals of subsidiaries and other business units	31			
Other cash receipts relating to investing activities	32			
<b>Sub-total of cash inflows from investing activities</b>	33	-	270,500.00	
Cash payments to acquire or construct fixed assets, intangible assets and other long-term	34	553,117,301.65	975,736,795.98	
Cash payments to acquire investments	35			
ΔNet increase in pledged loans receivables	36			
Net cash payments for acquisitions of subsidiaries and other business units	37			
Other cash payments relating to investing activities	38			
<b>Sub-total of cash outflows from investing activities</b>	39	553,117,301.65	975,736,795.98	
<b>Net Cash Flow from Investing Activities</b>	40	-553,117,301.65	-975,466,295.98	
<b>III. Cash Flows from Financing Activities:</b>	41			
Cash receipts from capital contributions	42		400,018,535.98	
Including: cash receipts from capital contributions from minority owners of subsidiaries	43			
Cash receipts from borrowings	44	241,181,216.30	103,100,000.00	
ΔCash receipts from issue of bonds	45			
Other cash receipts relating to financing activities	46	118,384,068.40	60,180,879.33	
<b>Sub-total of cash inflows from financing activities</b>	47	359,565,284.70	563,299,415.31	
Cash repayments of borrowings	48	106,038,875.00	183,000,000.00	
Cash payments for distribution of dividends or profits or settlement of interest expense	49	20,865,405.98	27,283,677.55	
Including: payments for distribution of dividends or profits to minority owners of subsidiaries	50			
Other cash payments relating to financing activities	51	36,874,743.43	48,301,858.28	
<b>Sub-total of cash outflows from financing activities</b>	52	163,779,024.41	258,585,535.83	
<b>Net Cash Flow from Financing Activities</b>	53	195,786,260.29	304,713,879.48	
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	54	1,525,724.43	98,211.12	
<b>V. Net Increase in Cash and Cash Equivalents</b>	55	-18,894,849.71	-59,539,682.76	VII.49
Add: Opening balance of cash and cash equivalents	56	579,792,468.42	639,332,151.18	VII.49
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	57	560,897,618.71	579,792,468.42	VII.49

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

# Consolidated Statement of Changes in Owner's Equity

Company:Zhuhai ACCESS Semiconductor Co., Ltd

Unit: RMB

ITEM	Line No.	2023.1-12											2022.1-12										
		Paid-in capital/Share capital	Other equity instrument	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Retained earnings	Others	Total owners' equity	Paid-in capital/Share capital	Other equity instrument	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	General risk reserve	Retained earnings	Others	Total owners' equity
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
I. Closing balance of the preceding year	1	891,673,045.00		939,303,852.36		628,276.06		73,055,993.04		606,665,743.88		2,511,326,910.34	799,031,689.00		635,542,753.77		58,831.22		9,653,847.48		243,909,744.67		1,688,196,866.14
Add: Changes in accounting policies	2									1,591,586.41		1,591,586.41											
Corrections of prior period errors	3																						
Others	4																						
II. Opening balance of the current year	5	891,673,045.00		939,303,852.36		628,276.06		73,055,993.04		608,257,330.29		2,512,918,496.75	799,031,689.00		635,542,753.77		58,831.22		9,653,847.48		243,909,744.67		1,688,196,866.14
III. Changes for the year (Decrease is indicated by "-")	6	-		23,757,073.60		64,693.72				153,801,338.52		177,623,105.84	92,641,356.00		303,761,098.59		569,444.84				362,755,999.21		759,727,898.64
(I) Total comprehensive income	7					64,693.72				178,399,665.93		178,464,359.65					569,444.84				426,158,144.77		426,727,589.61
(II) Owner's contributions and reduction of capital	8	-		23,757,073.60						-		23,757,073.60	92,641,356.00		303,761,098.59								396,402,454.59
1. Capital contribution from owners	9	-										-	92,641,356.00		301,036,332.21								393,677,688.21
2. Other equity instrument owner's invested capital	10											-											
3. Share-based payment recognised in owners' equity	11			23,757,073.60								23,757,073.60			2,724,766.38								
4.Others	12											-											
III. Extraction and use of special reserve	13																						
1. Recognised special reserve	14																						
2. Use of special reserve	15																						
(IV) Profit distribution	16							24,598,327.41		-24,598,327.41									63,402,145.56		-63,402,145.56		
1. Transfer of surplus reserves	17							24,598,327.41		-24,598,327.41		-							63,402,145.56		-63,402,145.56		-
Inc: Statutory surplus reserve	18							24,598,327.41		-24,598,327.41		-							63,402,145.56		-63,402,145.56		-
Optional surplus reserve	19																						
Reserve fund	20																						
Enterprise development fund	21																						
Return investment by profit	22																						
2. Transfer of general risk reserve	23																						
3. Distribution to owners	24																						
4.Others	25																						
(V) Transfers within owners' equity	26																						
1. Capitalisation of capital reserves	27																						
2. Capitalisation of surplus reserves	28																						
3. Loss offset by surplus reserves	29																						
4. Transfer of recalculated defined benefit plan net liabilities or net asset changes	30																						
5、 Others	31																						
IV. Closing balance of the current year	32	891,673,045.00		963,060,925.96		692,969.78		97,654,320.45		762,058,668.81		2,715,139,930.00	891,673,045.00		939,303,852.36		628,276.06		73,055,993.04		606,665,743.88		2,511,326,910.34

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

## Balance Sheet

Company: Zhuhai ACCESS Semiconductor Co., Ltd

31 December 2023

Unit: RMB

ITEM		31-12-23	31-12-22	Notes
<b>Current Assets:</b>	1			
Cash and cash equivalents	2	439,080,163.48	440,327,278.30	
△Settlement reserve	3			
△Due from banks and other financial institutions	4			
Financial assets measured by fair value through profit or loss	5			
Financial assets held for trading	6			
Derivative Financial assets	7			
Notes Receivable	8	2,752,004.33	4,424,888.48	
Accounts Receivable	9	441,011,335.97	193,228,547.99	XII.1
Prepayments	10	2,145,448.88	2,088,648.49	
△Premium receivable	11			
△Reinsurance premium receivable	12			
△Reserve receivable for reinsurance	13			
Other receivables	14	13,701,579.30	10,811,024.83	XII.2
Including: Interest receivable	15			
Dividend receivable	16			
△Financial assets purchased under resale agreements	17			
Inventories	18	148,807,229.76	104,678,331.43	
Available for sale assets	19			
Non-current assets due within one year	20			
Other current assets	21	1,550,000.04	757,642.27	
<b>Total current assets</b>	22	1,049,047,761.76	756,316,361.79	
<b>Non-current assets:</b>	23			
△Loans and advances	24			
Available-for-sale financial assets	25			
Held-to-maturity investments	26			
Long-term receivables	27		1,108,736.56	
Long-term equity investments	28	1,827,961,310.35	1,596,146,155.35	XII.3
Other equity instrument Investment	29			
Investment properties	30	1,797,866.81	2,042,524.61	
Fixed assets	31	515,888,353.76	562,035,429.33	
Construction in progress	32	2,664,419.26	15,732,136.65	
Bearer biological assets	33			
Oil and gas assets	34			
Right-of-use Asset	35	16,560,341.02	24,651,616.51	
Intangible assets	36	17,428,740.51	25,698,625.71	
Development expenditure	37			
Goodwill	38			
Long-term prepaid expenses	39	23,507,809.72	24,137,997.04	
Deferred tax assets	40	13,349,724.00	8,564,995.68	
Other non-current assets	41	354,260.00	161,743.38	
<b>Total Non-current Assets</b>	42	2,419,512,825.43	2,260,279,960.82	
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<b>Total Assets</b>	79	3,468,560,587.19	3,016,596,322.61	

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

# Balance Sheet (Continued)

Company: Zhuhai ACCESS Semiconductor Co., Ltd

31 December 2023

Unit: RMB

ITEM		31-12-23	31-12-22	Notes
<b>Current liabilities:</b>	80			
Short-term borrowings	81	46,020,999.41	30,025,666.68	
△Borrowings from central bank	82			
△Placement from banks and other financial institutions	83			
Financial liabilities measured by fair value through profit or loss	84			
Derivative Financial liabilities	85			
Notes payable	86	118,384,068.40	63,871,054.80	
Accounts payable	87	310,445,779.10	124,675,261.70	
Receipts in advance	88			
Contract liability	89	49,389,027.46	63,985,759.24	
△Financial assets sold under repurchase agreements	90			
△Deposit from customers and interbank	91			
△Securities brokering	92			
△Securities underwriting	93			
Employee benefits payable	94	20,749,993.83	24,179,336.18	
Inc: Wages payable	95	20,749,993.83	24,179,336.18	
Benefits payable	96			
#Inc: Bonus and Welfare Funds	97			
Taxes payable	98	31,052,785.61	16,960,314.71	
Inc: Taxes payable	99	29,850,845.17	11,980,007.26	
Other payable	100	54,268,243.75	89,058,966.91	
Including: Interest payable	101			
Dividend payable	102			
△Reinsurance amounts payable	103			
△Reserve of insurance contract	104			
Held-for-sale liabilities	105			
Non-current Liabilities due within One Year	106	4,607,403.39	27,679,907.27	
Other current liabilities	107	6,548,566.84	7,976,332.94	
<b>Total Current Liabilities</b>	108	641,466,867.79	448,412,600.43	
Non-current Liabilities:	109			
△Provision for insurance contracts	110			
Long-term borrowings	111		2,000,000.00	
Bonds payable	112			
Inc: preference share	113			
Perpetual bond	114			
Lease liabilities	115	15,340,272.63	14,757,296.52	
Long-term payables	116		-	
Long-term employee benefits payable	117			
Provisions	118			
Estimated liabilities	119	7,460,281.67	11,570,037.43	
Deferred Income	120	26,969,722.87	32,497,245.24	
Deferred tax liabilities	121	26,726,064.89	26,366,094.76	
Other non-current liabilities	122			
	123			
<b>Total Non-current Liabilities</b>	124	76,496,342.06	87,190,673.95	
<b>Total Liabilities</b>	125	717,963,209.85	535,603,274.38	
Owners' equity:	126			
Paid-in capital (share capital)	127	891,673,045.00	891,673,045.00	
State owned capital	128	299,789,585.00	299,789,585.00	
Inc: State-owned legal person's capital	129	299,789,585.00	299,789,585.00	
Collective Capital	130			
Private capital	131	235,702,340.00	235,702,340.00	
Inc: Individual capital	132			
Foreign capital	133	356,181,120.00	356,181,120.00	
Deduct: capital redemption	134			
Net paid-in capital	135	891,673,045.00	891,673,045.00	
Other equity instrument	136			
Inc: preference share	137			
Perpetual bond	138			
Capital reserve	139	962,331,710.79	938,574,637.19	
Deduct: Treasury shares	140			
Other comprehensive income	141			
Translation difference arising on translation of financial statements denominated in	142			
Special reserve	143			
Surplus reserve	144	97,654,320.45	73,055,993.04	
Inc: Statutory surplus reserve	145	97,654,320.45	73,055,993.04	
Discretionary surplus reserve	146			
#Reserve fund	147			
#Corporate development fund	148			
#Return of investment	149			
△General risk reserve	150			
Retained earnings	151	798,938,301.10	577,689,373.00	
	152			
	153			
	154			
<b>Total Owners' Equity Attributable To the Company</b>	155	2,750,597,377.34	2,480,993,048.23	
	156			
<b>Total Owners' Equity</b>	157	2,750,597,377.34	2,480,993,048.23	
<b>Total Liabilities and Owners' Equity</b>	158	3,468,560,587.19	3,016,596,322.61	

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

## Income Statement

Company: Zhuhai ACCESS Semiconductor Co., Ltd

Unit: RMB

ITEM		2023.1-12	2022.1-12	Notes
<b>I. Total operating income</b>	1	1,532,195,933.29	1,457,939,250.96	
Including: Operating income	2	1,532,195,933.29	1,457,939,250.96	XII.4
Interest income	3			
Premiums earned	4			
Fee and commission income	5			
<b>II. Total operating costs</b>	6	1,266,750,496.69	1,105,871,033.12	
Including: Operating costs	7	1,138,950,925.31	1,012,982,785.26	XII.4
△Interest expenses	8			
△Fee and commission expenses	9			
△Surrenders	10			
△Claims and policyholder benefits (net of amounts recoverable from reinsurers' share)	11			
△Changes in insurance contract reserves (net of reinsurers' share)	12			
△Insurance policyholder dividends	13			
△Reinsurance expenses	14			
Business taxes and levies	15	10,826,561.87	12,925,490.15	
Selling expenses	16	20,035,006.60	17,637,173.18	
Administrative expenses	17	51,970,693.32	22,567,557.90	
Inc: Expenses for Party Construction	18			
Research and development expenses	19	52,213,856.56	44,610,199.59	
Financial expenses	20	-7,246,546.97	-4,852,172.96	
Inc: Interest expenses	21	5,181,890.97	3,641,956.96	
Interest incomes	22	11,460,041.69	6,769,250.66	
Add: Other income	23	17,922,426.71	18,938,561.19	
Investment income (Losses are indicated by "-")	24			
Including: Income from investments in associates and joint ventures	25			
△Foreign exchange gains (Losses are indicated by "-")	26			
Gains from changes in fair values (Losses are indicated by "-")	27			
Loss on impairment of assets (Losses are indicated by "-")	28	-6,966,180.82	-3,900,551.45	
Profit on disposal of assets (Losses are indicated by "-")	29	743,528.89	246,736.22	
<b>III. Operating profit (Loss is indicated by "-")</b>	30	277,145,211.38	367,352,963.80	
Add: Non-operating income	31	2,803,763.56	1,213,922.16	
Less: Non-operating expenses	32	650,618.77	1,564,803.57	
<b>IV. Total profit (Total Loss is indicated by "-")</b>	33	279,298,356.17	367,002,082.39	
Less: Income tax expenses	34	33,315,082.10	46,534,407.95	
<b>V. Net profit (Net loss is indicated by "-")</b>	35	245,983,274.07	320,467,674.44	
1) Net profit from continuing operations (Loss is indicated by "-")	36	245,983,274.07	320,467,674.44	
2) Net profit from discontinued operations (Loss is indicated by "-")	37			
<b>VI. Other comprehensive income after tax</b>	38			
1. Other comprehensive income not reclassified into gains or losses	39			
Inc: Remeasured defined benefit plan net liabilities or net assets changes	40			
Under the equity method, the share of other comprehensive income not reclassified into gains or losses	41			
2. Other comprehensive income classified into gains or losses	42			
Under the equity method, the share of other comprehensive income reclassified into gains or losses	43			
Gains or losses of fair value of Available for sale financial asset	44			
Gains or losses of held to maturity investment reclassified into available for sale asset	45			
Effective portion of profit or loss on cash flow hedging	46			
Foreign currency financial statement translation difference	47			
Others	48			
<b>VIII. Total comprehensive income</b>	49	245,983,274.07	320,467,674.44	
Total comprehensive income attributable to owners of the Company	50	245,983,274.07	320,467,674.44	
Total comprehensive income attributable to minority interests	51			
<b>IX. Earnings per share</b>	52			
Basic earnings per share	53			
Diluted earnings per share	54			

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

## Cash Flow Statement

Company: Zhuhai ACCESS Semiconductor Co., Ltd

2023.1-12

Unit: RMB

ITEM		2023.1-12	2022.1-12	Notes
<b>I. Cash Flows from Operating Activities:</b>	1			
Cash receipts from the sale of goods and the rendering of services	2	1,430,705,893.69	1,774,791,306.98	
△Net increase in deposits and placements from financial institutions	3			
△Net increase in due to central banks	4			
△Net increase in placement from financial institutions	5			
△Cash received from premiums of original insurance contracts	6			
△Net amount of reinsurance business	7			
△Net increase in insured's deposits and investments	8			
△Net increase in disposal of financial assets at fair value through profit and loss	9			
△Cash received from interests, fees and commissions	10			
△Net increase of placement from banks and other financial institutions	11			
△Net increase in repurchasing	12			
Taxes and surcharges refunds	13			
Other cash receipts related to operating activities	14	20,810,875.50	21,542,034.81	
<b>Sub-total of cash inflows from operating activities</b>	15	1,451,516,769.19	1,796,333,341.79	
Cash payments for goods purchased and services received	16	874,432,239.23	985,206,752.14	
△Net increase in loans and advances	17			
△Net increase in deposits with central banks and other financial institutions	18			
△Cash paid for claim settlements on original insurance contracts	19			
△Cash paid for interests, fees and commissions	20			
△Cash paid for policy dividends	21			
Cash paid to and for employees	22	180,147,520.41	191,815,964.04	
Cash paid for all types of taxes	23	92,561,071.06	127,120,794.86	
Other cash payments related to operating activities	24	38,883,261.20	91,223,163.13	
<b>Sub-total of cash outflows from operating activities</b>	25	1,186,024,091.90	1,395,366,674.17	
<b>Net Cash Flow from Operating Activities</b>	26	265,492,677.29	400,966,667.62	
<b>II. Cash Flows from Investing Activities:</b>	27			
Cash receipts from disposals and recovery of investments	28			
Cash receipts from investment income	29			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term as	30		270,500.00	
Net cash receipts from disposals of subsidiaries and other business units	31			
Other cash receipts relating to investing activities	32			
<b>Sub-total of cash inflows from investing activities</b>	33	-	270,500.00	
Cash payments to acquire or construct fixed assets, intangible assets and other long-term	34	23,633,022.07	31,352,859.22	
Cash payments to acquire investments	35	231,815,155.00	578,110,094.16	
△Net increase in pledged loans receivables	36			
Net cash payments for acquisitions of subsidiaries and other business units	37			
Other cash payments relating to investing activities	38			
<b>Sub-total of cash outflows from investing activities</b>	39	255,448,177.07	609,462,953.38	
<b>Net Cash Flow from Investing Activities</b>	40	-255,448,177.07	-609,192,453.38	
<b>III. Cash Flows from Financing Activities:</b>	41			
Cash receipts from capital contributions	42		400,018,535.98	
Including: cash receipts from capital contributions from minority owners of subsidiaries	43			
Cash receipts from borrowings	44	45,981,216.30	40,000,000.00	
△Cash receipts from issue of bonds	45			
Other cash receipts relating to financing activities	46		8,450,000.00	
<b>Sub-total of cash inflows from financing activities</b>	47	45,981,216.30	448,468,535.98	
Cash repayments of borrowings	48	36,000,000.00	47,000,000.00	
Cash payments for distribution of dividends or profits or settlement of interest expenses	49	1,287,430.72	1,252,782.95	
Including: payments for distribution of dividends or profits to minority owners of subsi	50			
Other cash payments relating to financing activities	51	22,111,135.08	50,795,306.35	
<b>Sub-total of cash outflows from financing activities</b>	52	59,398,565.80	99,048,089.30	
<b>Net Cash Flow from Financing Activities</b>	53	-13,417,349.50	349,420,446.68	
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	54	1,404,770.53	-681,480.30	
<b>V. Net Increase in Cash and Cash Equivalents</b>	55	-1,968,078.75	140,513,180.62	
Add: Opening balance of cash and cash equivalents	56	435,822,740.31	295,309,559.69	
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	57	433,854,661.56	435,822,740.31	

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

# Statement of Changes in Owners' Equity

Company:Zhuhai ACCESS Semiconductor Co., Ltd

Unit: RMB

ITEM	Line No.	2023.1-12											2022.1-12										
		Paid-in capital/ Share capital	Other equity instrument	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Total owners' equity	Paid-in capital/ Share capital	Other equity instrument	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Total owners' equity
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
I. Closing balance of the preceding year	1	891,673,045.00		938,574,637.19				73,055,993.04		577,689,373.00		2,480,993,048.23	799,031,689.00		635,542,753.77				9,653,847.48		320,623,844.12		1,764,852,134.37
Add: Changes in accounting policies	2									-136,018.56		-136,018.56											
Corrections of prior period errors	3																						
Others	4																						
II. Opening balance of the current year	5	891,673,045.00		938,574,637.19				73,055,993.04		577,553,354.44		2,480,857,029.67	799,031,689.00		635,542,753.77				9,653,847.48		320,623,844.12		1,764,852,134.37
III. Changes for the year (Decrease is indicated by "-")	6	-		23,757,073.60						221,384,946.66		245,142,020.26	92,641,356.00		303,031,883.42						257,065,528.88		652,738,768.30
(I) Total comprehensive income	7									245,983,274.07		245,983,274.07									320,467,674.44		320,467,674.44
(II) Owner's contributions and reduction of capital	8	-		23,757,073.60						-		23,757,073.60	92,641,356.00		303,031,883.42								395,673,239.42
1. Capital contribution from owners	9	-										-	92,641,356.00		300,307,117.04								392,948,473.04
2. Other equity instrument owner's invested capital	10											-											
3. Share-based payment recognised in owners' equity	11			23,757,073.60								23,757,073.60			2,724,766.38								
4.Others	12											-											
III. Extraction and use of special reserve	13																						
1. Recognised special reserve	14																						
2. Use of special reserve	15																						
(IV) Profit distribution	16							24,598,327.41		-24,598,327.41								63,402,145.56		-63,402,145.56			
1. Transfer of surplus reserves	17							24,598,327.41		-24,598,327.41								63,402,145.56		-63,402,145.56			
Inc: Statutory surplus reserve	18							24,598,327.41		-24,598,327.41								63,402,145.56		-63,402,145.56			
Optional surplus reserve	19																						
Reserve fund	20																						
Enterprise development fund	21																						
Return investment by profit	22																						
2. Transfer of general risk reserve	23																						
3. Distribution to owners	24																						
4.Others	25																						
(V) Transfers within owners' equity	26																						
1. Capitalisation of capital reserves	27																						
2. Capitalisation of surplus reserves	28																						
3. Loss offset by surplus reserves	29																						
4. Transfer of recalculated defined benefit plan net liabilities or net asset changes	30																						
5. Others	31																						
IV. Closing balance of the current year	32	891,673,045.00		962,331,710.79				97,654,320.45		798,938,301.10		2,750,597,377.34	891,673,045.00		938,574,637.19				73,055,993.04		577,689,373.00		2,480,993,048.23

Legal representative:

Principal in charge of accounting:

Person in charge of the accounting body:

**Zhuhai ACCESS Semiconductor Co., Ltd**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD END 31 DECEMBER 2023**

(Amounts are denominated in RMB unless otherwise stated)

**I. GENERAL INFORMATION**

**1. Domicile, business organization and address**

Zhuhai ACCESS Semiconductor Co., Ltd (the “Company” or “ACCESS”) is a limited company incorporated in Zhuhai city of the People’s Republic of China on 26 April 2006 by Zhuhai Founder Technology Multilayer Circuit Board Co., Ltd. and AMITEC Advanced Multilayer Interconnect Technologies Ltd. The Group received “Business License for Legal Person of the PRC” (Registration No.: 91440400787921507Y) issued by Zhuhai Market Supervision and Administration Bureau. The legal representative of the Group is Zuo Jin and the registered capital is RMB 891,673,045.00. The registered address is FPC building, 3209 North Zhufeng Road, Doumen District, Zhuhai, China.

The Company’s approved operating period is from 17 July 2014 to long term.

**2. The nature of business operations and principal activities**

The principal activities of the Company mainly include production and sale of Package Substrate, sale of raw materials used for production of Package Substrate and research and development of the products of the Group.

**3. The name of the parent company**

The largest shareholder of the Company is AMITEC Company, which holds 39.9453% of the company as of the audit report date.

AMITEC Corporation is a holding subsidiary of the Israeli-listed company, Priortech Corporation. Israeli Mr. Yotam Stern and Mr. Rafi Amit are the actual controllers of the AMITEC Corporation. The group shares held by AMITEC Company are foreign shares in nature.



#### **4. Approval of the financial report**

The financial report was approved by management of the Company on 1 March 2024.

## **II. BASIS OF PREPARATION**

### **1. BASIS PREPARATION OF FINANCIAL STATEMENTS**

The Financial Statements are prepared on a going concern basis, and prepared according to the transactions actually occurred, and the Company has adopted the Accounting Standards for Business Enterprises (ASBE) issued by the Ministry of Finance of PRC and supplementary regulations, and financial statements are prepared on the basis of the significant accounting policies and accounting estimates stated below.

The Financial Statements are intended solely for the purpose of preparing the consolidated financial statements of the Company to Amitec Advanced Multilayer Interconnect Technologies Ltd. and may not be used for any other purpose.

### **2. GOING CONCERN**

The management of the company has evaluated the ability to continue as a going concern for 12 months from the end of the reporting period. The company does not exist in any of the matters or circumstances that could cast serious doubts on the going concern assumptions.

## **III. STATEMENT OF COMPLIANCE WITH ASBE**

The financial statements of the Company have been prepared according to *Accounting Standard for Business Enterprises* (ASBE), and present truly and completely, the Company's financial position, the Company's results of operations and cash flows for the year then ended.

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY**

### **1. Accounting period**

The Company adopts its accounting year from 1 January to 31 December.

### **2. Functional currency**

The functional currency of the Company is Renminbi ("RMB"), unless otherwise indicated.

### **3. Principle of measurement**

The Company adopts the historical cost, replacement cost, net realizable value, net value and

fair value method as the principle of measurement in the financial statement.

#### **4. Recognition criteria of cash and cash equivalents**

Cash comprises cash on hand and bank deposits that can be readily withdrawn on demand. Cash equivalents are the company's short-term (usually due within 3 months from the acquisition date), highly liquid investments that are readily convertible to certain amounts of cash and which are subject to insignificant risk of changes in value.

#### **5. Foreign currency and foreign currency exchange**

The amounts of transactions in foreign currencies occurred in the reporting year are initially converted into RMB. At the balance sheet date, monetary items in foreign currency are converted into RMB using the spot exchange rates at the balance sheet date. Exchange differences, except for those capitalized into cost of assets from special borrowing in foreign currency for constructing a qualifying asset, are recognized as gain or loss in financial costs of the income statement in current year. Non-monetary items of foreign currency measured at historical cost still adopt the spot exchange rates of the date of the transactions which does not change the amount of RMB. Non-monetary items of foreign currency measured at fair value adopt the spot exchange rates of the determination dates of fair value, exchange differences are recognized as gain or loss in current year or other comprehensive income.

#### **6. Classification of financial instruments**

##### **① Classification of financial assets and financial liabilities**

At initial recognition, financial assets are classified as four financial assets at Fair Value through Profit or Loss (“FVTPL”) including trading financial assets and financial assets designated as at FVTPL, held-to-maturity investments, loans, receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified as financial liabilities at FVTPL including trading financial liabilities and financial liabilities designated as at FVTPL and other financial liabilities.

##### **② Recognition, measurement and de-recognition of financial instruments**

Financial assets and financial liabilities are recognized when company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value; for the financial assets and financial liabilities at FVTPL, related transaction cost is recognized in profit and loss; for the other financial assets and financial liabilities, related transaction cost is recognized in initially measured amount.

Financial assets are subsequently measured at fair value, and transaction cost in future disposal will not be deducted, except following conditions: 1) held-to-maturity investments, loans and receivables adopt the contractual calculation and measured at amortized cost; or 2) equity instrument investment without price and of which fair value can't be measured reliably in active market, and the derivative financial assets which are linked to the above equity instrument investment and settled by delivering the equity instrument investment, are measured at cost.

Financial liabilities adopt contractual calculation that are subsequently measured at amortized cost, except following conditions: 1) Financial liabilities at FVTPL are measured at fair value, and transaction cost in future settlement of financial liabilities will not be deducted; or 2) Equity instrument investment without price and of which fair value can't be measured reliably in active market, and the derivative financial liabilities which are linked to the above equity instrument investment and settled by delivering the equity instrument investment, are measured at cost; or 3) Financial guarantee contract not belong to financial liabilities designated as at FVTPL, or loan commitment of the loan not designated as at FVTPL of which the interest below market rates, are subsequently measured at the higher amount: ① the amount recognized in accordance with "Enterprise Accounting Standards No. 13 – Contingency"; or ② The amount that initially recognized amount deducting the accumulative amortization amount recognized in accordance with "Enterprise Accounting Standards No. 14 – Revenue".

As for the financial assets and financial liabilities, the profit and loss due to changes in fair value except for the hedging related financial assets and liabilities are dealt by the methods below: 1) The profit and loss of financial assets and financial liabilities at FVTPL due to changes in fair value is recognized in fair value; the interest and cash dividends acquired during the assets holding period are recognized as investment income; the difference between the fair value on disposal and initial recognition amount shall be recognized to investment income, then adjust the profit and loss arising from fair value changes at the same time. 2) The changes in fair value of available-for-sale financial assets are recognized in capital reserve; the interest under the contractual calculation within the asset holding period is recognized in income from investment; the cash dividends of available-for-sale equity instruments are recognized in income from investment when investee declare to pay dividends; the balance of the actual received amount and book value deducting accumulated changes in fair value is recognized in investment income.

The Company derecognizes a financial asset when the contractual right of obtaining the cash flow of a financial asset is derecognized or substantially all the risk and reward of a financial

asset's ownership is transferred; The Company derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

③ The basis of recognizing and measuring the transfer of a financial asset

Company derecognizes a financial asset when substantially all the risk and reward of a financial asset's ownership is transferred; company continues confirming transferred financial asset and confirms the consideration received as a financial liability, when substantially all the risk and reward of a financial asset's ownership is retained. When company neither transfers nor retains substantially all the risk and reward of a financial asset's ownership, the financial asset transfer is dealt by the methods below: 1) When company gives up control of a financial asset, it derecognizes the financial asset; or 2) When company doesn't give up control of a financial asset, it continues to confirm related financial asset according to the degree of involvement in the transferred financial asset and confirms related liabilities.

For the financial assets which meet holistic transfer conditions, the difference between following two amounts shall be recognized in the profit and loss: 1) The carrying amount of financial assets transferred; and 2) The sum of consideration received from transfer and the amount originally directly recognized in accumulated variation due to fair value change of owner's equity. When financial asset satisfies the condition of de-recognition, we should share the holistic carrying amount of the financial assets transferred according to the respective fair value of the derecognized part and the non- derecognized part, and the difference between following two amounts shall be recognized in the profit and loss: 1) The carrying amount of the derecognized part; and 2) The sum of the consideration received of the derecognized part and the related derecognized amount originally directly recognized in accumulated variation due to fair value change of owner's equity.

④ Recognition of the fair value of the financial assets and financial liabilities

For financial assets and financial liabilities in an active market, the fair value is the price in an active market; for financial assets and financial liabilities not in an active market, we should determine their fair value by valuation technique (including referring to the price in recent market transaction among parties who are familiar with market situation and willing to transaction, referring to recent fair value of other essentially similar financial instruments, discounted cash flow, option price models and others); for financial assets initially obtained and financial liabilities initially born, we should determine their fair value on the basis of market transaction price.

## ⑤ Impairment of financial assets

On the balance sheet day, the Company should carry out the impairment review for the financial assets other than those measuring through FVTPL. If there is an indicator that a financial asset is impaired; the Company determines the amount of any impairment loss.

For a financial asset that is individually significant, the Company should carry out the impairment test for those assets individually. For those not individually significant, the Company should carry out the impairment test for them, which has been combined as a group of financial assets with the similar credit risk. A separate impairment test should be carried out for those without being impaired, this should include an impairment test for those in the portfolio with the similar credit risk.

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If there is no quota for the financial assets in the active market and the fair value of the asset cannot be reliably measured, or the equity instrument investments, or linked to the equity instrument and must be settled by delivery of the equity instruments of the derivative financial assets, the impairment when occurs shall be recognized based on the difference between the book value of the equity instrument investments or the derivative financial assets and the present value of future cash flow of identical financial asset under current market interest rate.

The fair value of available-for-sale financial assets sharply drop, or after considering various factors, which expected this decline not belongs to a temporary, confirm the impairment loss, and the fair value originally recorded in the capital reserved should be transferred out.

## 7. Accounts receivable

### 1) Receivable individually significant and provided for bad debt separately

<b>Criteria or standard for amounts individually significant</b>	<b>5% or above of accounts receivable as amounts individually significant.</b>
Method for making provision for amounts individually significant	The impairment is made as the difference between present value of future cash flow and net book value and accounts receivables if there is objective evidence exists after assessment individually. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset

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is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

2) Combination provision of receivables in need of bad debt provision

a) Determine the impairment method of combination of basis and provision for bad debts

**To determine the basis of a combination:**

Aging group	Similar credit risk characteristic with the same aging
Consolidation scope group	Related parties within consolidation scope group
Export tax refund group	Export tax within export tax refund group
Determine the impairment method of combination of basis and provision for bad debts:	
Aging group	Aging analysis
Consolidation scope group	No provision

b) The analysis of the account aging

i. Accounts Receivable

The group adopts the simplified model of expected credit loss for the accounts receivable specified in accounting standards for Business Enterprises No. 14 - income, which does not contain significant financing components (including the situation that the financing components in the contract are not considered in accordance with the standard for no more than one year), that is, the loss reserves are always measured according to the amount of expected credit loss in the whole duration, resulting in the increase or reversal amount of loss reserves shall be included in the current profit and loss as impairment loss or gain.

For receivables with significant financing components, the group chooses to adopt a simplified model of expected credit loss, that is, to always measure its loss reserves according to the amount of expected credit loss in the whole duration.

The group estimates the expected credit loss of accounts receivable in a single or combined way considering all reasonable and based information, including forward-looking information.

Based to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, we calculate the expected credit loss through the default risk exposure and the expected credit loss rate of the whole duration. The Company considers that the bank acceptance bill held does not have significant credit risks and will not

cause significant losses due to the default of the bank or other drawer.

The group prepares the comparison table of overdue days and default loss rate of accounts receivable (as shown in the table below), on which the expected credit loss is calculated.

	<b>Not overdue</b>	<b>Overdue 1-30 days</b>	<b>Overdue 31-90 days</b>	<b>Overdue 91-365 days</b>	<b>Overdue 1-2 years</b>	<b>Overdue more than 2 years</b>
Default loss rate	1%	5%	10%	20%	50%	100%

The group's comparison table is based on the historical default loss rate of the expected duration of such receivables and adjusted according to the forward-looking estimates. At each balance sheet date, the group will analyze the changes in forward-looking estimates and adjust the historical default loss rate accordingly.

## ii. Other Receivables

The group adopts the general model of expected credit loss for other receivables.

The group divides the process of credit impairment of other receivables without credit impairment at the time of purchase or source generation into three stages. There are different accounting treatment methods for the impairment of other receivables in different stages:

Stage I: credit risk has not increased significantly since initial recognition

For financial instruments in this stage, the enterprise shall measure the loss reserves according to the expected credit losses in the next 12 months, and calculate the interest income according to its book balance (i.e. without deducting the impairment reserves) and the actual interest rate (if the instrument is a financial asset, the same below).

Stage 2: credit risk has increased significantly since initial recognition, but no credit impairment has occurred

For a financial instrument at this stage, the enterprise shall measure the loss reserve according to the expected credit loss of the whole duration of the instrument, and calculate the interest income according to its book balance and actual interest rate.

Stage 3: credit impairment after initial recognition

For a financial instrument in this stage, the enterprise shall measure the loss reserves according to the expected credit loss of the whole duration of the instrument, but the

calculation of interest income is different from that of the financial assets in the first two stages. For the financial assets with credit impairment, the enterprise shall calculate the interest income according to the amortized cost (book balance minus the provision for impairment, i.e. book value) and the actual interest rate.

3) Receivable individually insignificant but provided for bad debt separately

Reason for impairment test separately	There is obvious difference of accounts receivable between the present value of future cash flow and similar credit risk characteristic with the same aging.
Method for making provisions	The impairment is made as the difference between present value and net book value and accounts receivables if there is objective evidence exists after assessment individually.

Provision for doubtful accounts on notes receivables, prepayments, interest receivables and long-term receivables are calculated at the amount at which the present value of future cash flows on those accounts are lower than their carrying amounts.

## 8. Inventories

Inventories include raw materials, work in progress, finished goods and turnover materials, and are stated at the lower of cost and net realizable value.

The cost of raw materials and low value consumables upon delivery is calculated using the first-in-first-out method. The actual cost of finished goods upon delivery is calculated using the weighted average method.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. For the inventories sales directly, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. For the inventories which are should be processed, net realizable value is the estimated selling price of finished goods in the ordinary production less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. At the balance sheet date, the same inventories which there are contracts price in one of part but none in another part, the net realizable value should be measured separately, a provision amount made and written off should be measured separately.

The Group adopts the perpetual inventory system.



Amortization methods of low-value consumables and packaging materials:

(1) Low-value consumables

Equipment spare parts of low-value consumables are amortized over one years from material requisition. Other low-value consumables use the one-off amortization.

(2) Packaging materials

The packaging materials are treated as expenses when issued.

## **9. Long-term equity investment**

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued.

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognized based on the purchase cost actually paid by the Group in cash, the fair value of equity securities issued by the Group, the agreed value of investment contract or agreement, the fair value or original carrying amounts of the non-monetary asset exchange transaction which the asset will be transferred out of the Group, and the fair value of long-term equity investment itself. The costs, taxes and other necessary expenses that are directly attributable to the acquisition of the long-term equity investments are also included in the investment cost.

(2) Subsequent measurement and method for profit or loss recognition

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the investee are accounted for using equity method. In addition, long-

term equity investments with control on the investee are accounted for using cost method and record in the Group's financial statements.

Under the cost method, a long-term equity investment is measured at its initial investment cost. The cost for long-term equity investment is adjusted in the event of additional investment or investment recovery. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the period is recognized as the cash dividends or profits declared by the investee.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. The Group's share of net losses of the investee shall be recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Group shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

Criteria of the judgement of control and significant influence over investees

Control is the power of the Group upon an investee, with which it can take part in relevant activities of the investee to obtain variable returns and is able to influence the amount of

returns. Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

### (3) Disposal of long-term equity investment

① For the control on the original subsidiary not lost due to disposal of part of the equity investment

The difference between the book value and the price acquired actually in disposal of the equity shall be recorded into the current profits and losses.

② For the control on the original subsidiary lost due to disposal of part of the equity investment or other reasons

The difference between the book value and the price acquired actually in disposal of the equity shall be recorded into the current profits and losses. The remaining equity should be accounted for as long-term equity investment or other relevant financial assets. If the remaining equity after disposed can have joint control or major impact on the invested party, the equity method shall be adopted cos method transfer equity method for accounting treatment.

### (4) Impairment of long-term equity investment

If there is any object evidence of any indication as at the balance sheet date for the subsidiary, joint ventures and jointly-control entities, impairment is made based on the difference between recoverable amount and net book value.

## **10. Investment properties**

1. Investment real estate includes leased buildings.

2. The investment real estate is initially measured according to the cost, using the cost mode for subsequent measurement, and using the depreciation or amortization in the same method as the fixed assets and intangible assets. On the balance sheet date, if there is indication that the investment real estate is impaired, the corresponding impairment provision shall be made according to the difference between the book value and the recoverable amount.

## **11. Fixed assets**

### (1) Recognition criteria and measurement of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Fixed assets are initially measured at cost. Subsequent expenditures incurred for the fixed asset are included in the carrying amount of the fixed asset, when the economic benefits associated with the assets will flow to the Group, and they are greater than the original estimates, while the total amount after being adjusted is not over the recoverable amount of the fixed assets.

(2) Method for depreciation of each category of fixed assets

Depreciation of each category of fixed assets: a fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

<b>Categories</b>	<b>Depreciation period (years)</b>	<b>Residual value rate (%)</b>	<b>Annual depreciation rate (%)</b>
Plant and buildings	5-35	10	2.57-18
Machines	10	10	9
Motor vehicles	5	10	18
Delivery equipment and Other equipment	5	10	18

(3) Impairment of fixed assets

For the impaired fixed assets, the depreciation rates and amounts should be recalculated using the carrying amount and remaining useful life of the fixed assets.

(4) Recognition and accounting method of fixed assets acquired under finance leases

The fixed assets acquired by the Group in line with the following one or several criteria shall be recognized as the fixed assets acquired under finance leases: 1) at the expiration of the lease, the ownership of the leased assets shall be transferred to the Group. 2) The Group has the option to purchase the leased assets, the purchase price is expected be far lower than the fair value of the leased assets under the implementation of option right, so that it can be reasonably determined that the Group shall exercise the option on the acquisition date. 3) The lease term is the majority for the leased assets even if the ownership no transferred. 4) The present value of the minimum lease payments of the company almost is equal to the fair value of the leased assets on the acquisition date. 5) For the special nature of the leased assets, only the company can use if no major modification made.

For the fixed assets acquired under finance leases, the Group takes less of the fair value of the

leased asset on the acquisition date and the present value of the minimum lease payments as recorded value and adopts the depreciation policy in line with its own fixed assets to count and draw the depreciation of fixed assets acquired under finance leases.

**(5) Disposal of fixed assets**

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognized in profit or loss on the date of retirement or disposal.

**12. Construction in progress**

Construction in progress is transferred to fixed asset when it is ready for intended use. If a construction in progress has reached the working condition for its intended use but the final project accounts have not been completed and approved, the asset should be transferred to fixed assets at an estimated value based on project budget, contracted construction price or actual project costs. Depreciation should also be accrued in accordance with relevant requirements of the Company. After the project accounts have been approved, the estimated values should be adjusted according to actual costs without adjusting depreciation recognized.

The Company assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If the recoverable amount of an asset is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

**13. Borrowing costs**

**(1) Capitalization of borrowing costs**

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or for sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**(2) Capitalization period of borrowing costs**

① When the borrowing cost satisfies the following criteria, it should be capitalized: 1) The qualifying asset expenditure happens, 2) The borrowing funds happen, 3) The necessary constructing and production activities for the asset intended use and sale have incurred.

② Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. During the suspending

period, the borrowing cost should be as an expense.

③When the qualifying asset reached its intended use or sale, the capitalization halt.

(3)Capitalization amount of borrowing costs

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. Capitalization rate is calculated and determined by the weighted average interest rates of the general borrowing.

#### **14. Intangible assets**

(1) Intangible assets include patents and software, and are measured at cost.

(2) An intangible asset with a finite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortized using the straight-line method over its useful life when the asset is available for use. The respective amortization periods for such intangible assets are as follows:

<b>Items</b>	<b>Amortization period (years)</b>
Patents	14
Software	5
Land-use Right	50
Royalty Right	10

(3) For the intangible asset with definite useful life, the difference between recoverable amounts and net book value shall be recognized as impairment loss if there is any indication of impairment at balance sheet date. For the intangible asset with indefinite useful life and which has not reached the working condition for its intended use, impairment assessment shall be made every year no matter there is any indication of impairment.

(4) Research and development expenditure

Research and development expenditure of the Group was divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenses incurred during the research phase are recognized as profit or loss in the current period.

Expenses incurred during the development phase that satisfy the following conditions are recognized as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period:

- ① it is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; and if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ the expenses attributable to the development phase of the intangible asset can be measured reliably. If the expenses incurred during the research phase and the development phase cannot be distinguished separately, all development expenses incurred are accounted for in the profit or loss for the current period.

## **15. Long-term prepaid expenses**

Long-term prepaid expense is accounted for actual cost and amortized during the benefit period. If the long-term prepaid expense item cannot benefit later accounting period, the remaining amortized value is transferred into the profit or loss for the current period.

## **16. Employee benefits**

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits are classified into short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

### **(1) Short-term employee benefits**

The Group shall, based on the actually incurred amount, charge the incurred employee benefits to the profit or loss for the current period or include the benefits in the cost of relevant

asset. Employee benefits which are non-monetary benefits shall be measurement at fair value.

(2) Termination benefits

The Group which provides termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- ① When the enterprise cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal;
- ② When the enterprise recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

(3) Defined contribution plans

The Company pays basic pensions to local social security funds monthly in accordance with local relevant requirements. The Company will have no obligation to pay further contributions when post-employment. The above basic pensions should be calculated according to prescribed bases and percentage of provision in determining the amount of employee benefits and recognized relevant liabilities, with corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

## **17. Provisions**

Obligations pertinent to the contingencies which satisfy the following conditions are recognized as accrued liabilities: (1) The obligation is a current obligation borne by the Group; (2) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (3) the amount of the obligation can be reliably measured.

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

## **18. Share payment**

(1) Type of share payment

This includes share payment settled in equity and share payment settled in cash.

(2) Method of determining the fair value of equity instruments

- 1) If there is an active market, it shall be determined according to the quotation in the active market.
- 2) If there is no active market, the valuation technology shall be determined by reference,



including the price used in the recent market transaction of the parties familiar with the situation, the current fair value of other financial instruments substantially the same, the cash flow discount method and the option pricing model, etc.

(3) Confirm the basis for the best estimate of the viable equity instrument

According to the latest subsequent information such as the change of the number of feasible workers.

(4) Accounting treatment related to the implementation, modification and termination of the share share payment plan

1) Share payment settled by equity

For the share payment immediately after the grant, the equity settlement shall be included in the relevant costs or expenses according to the fair value of the equity instrument on the grant date, and the capital reserves shall be adjusted accordingly. Complete the waiting period of the service or meet the prescribed performance conditions for the worker service to equity settlement shares, the balance sheet date during the waiting period, on the basis of the best estimate of the number of equity instruments, according to the fair value of the equity date, the current service included in the relevant costs or expenses, adjust the capital reserves accordingly.

Share payment for equity settlement of the services follows the fair value of the fair value of the services of the other party; if the fair value of the services of the other party cannot be measured reliably, but the fair value of the equity instrument shall be measured according to the fair value on the date of the services and included in the relevant costs or expenses, and the owner's equity shall be increased accordingly.

2) Payment of shares settled in cash

The share payment for employee services, immediately after the grant, shall be included in the relevant costs or expenses according to the fair value of the liabilities borne by the Company on the grant date, and the liabilities shall be increased accordingly. Complete the waiting period of the service or meet the prescribed performance conditions for worker services in cash settlement share payment, each balance sheet date during the waiting period, on the basis of the best estimate of the rights, according to the fair value of the liabilities, the current services included in the relevant costs or expenses and the corresponding liabilities.

3) To modify and terminate the share share payment plan

If the modification increases the fair value of the granted equity instrument, the Company accordingly recognizes the increase in the fair value of the equity instrument; if the modification increases the number of the granted equity instrument, the fair value of the added

equity instrument is accordingly recognized as the increase in the acquired services; if the Company is modified in consideration of the modified viable conditions.

If the modification reduces the fair value of the granted equity instrument, the Company continues to confirm the amount of services obtained based on the fair value of the equity instrument at the grant date, regardless of the reduction in the fair value of the equity instruments; if the modification reduces the amount of the value of the granted, in the case of a reduction in the case.

If the Company cancels the granted equity instrument or settles the granted interest instrument during the waiting period (except for the failure), the cancellation or settlement is immediately confirmed as the amount originally recognized in the remaining waiting period.

## **19. Revenue**

(1) The Company recognizes revenue when the Company has fulfilled its performance obligations under the contract, i.e., when the customer obtains control of the relevant goods, which means that it is able to dominate the use of the goods and obtain substantially all the economic benefits from them.

(2) The Company determines that the performance obligations are "performance obligations to be performed within a certain period of time" or "performance obligations to be performed at a certain point in time" in accordance with the relevant provisions of the revenue standards, and recognizes revenue based on the following principles, respectively.

1) The performance obligation is recognized if the Company meets one of the following conditions.

① The customer obtains and consumes the economic benefits arising from the Group's performance at the same time as the Company's performance.

② The customer is able to control the assets under construction in the course of the Company's performance.

③ The assets produced in the course of the Company's performance have irreplaceable use and the Company is entitled to receive payment for the cumulative portion of performance completed to date throughout the contract period.

For performance obligations performed within a certain period of time, the Company recognizes revenue in accordance with the progress of performance within that period, except when the progress of performance cannot be reasonably determined. The Group uses the output method or input method to determine the appropriate performance schedule, taking into account the nature of the commodity.

2) For performance obligations that are not performed within a certain period of time but are

performed at a certain point in time, the Company recognizes revenue at the point in time when the customer obtains control of the relevant commodity.

In determining whether the customer has acquired control of the commodity, the Company considers the following indications.

①The Company has a present right to receive payment for the commodity, i.e., the customer has a present obligation to pay for the commodity.

②The Company has transferred legal ownership of the commodity to the customer, i.e., the customer has legal ownership of the commodity.

③The Company has transferred physical possession of the merchandise to the customer, i.e., the customer has taken physical possession of the merchandise.

④The Company has transferred to the customer the principal risks and rewards of ownership of the merchandise, i.e., the customer has acquired the principal risks and rewards of ownership of the merchandise.

⑤The customer has accepted the merchandise.

⑥Other indications that the customer has acquired control of the merchandise.

### (3) Specific methods of revenue recognition

The company's product sales are mainly divided into domestic sales and export sales.

Domestic sales means that the company sends the goods according to the production of the customer, and recognizes the revenue when the customer obtains the control of the relevant goods. Including: for domestic customers using the supplier platform system, the company shall confirm the revenue according to the system; for domestic customers not using the supplier platform system, the company shall confirm the revenue after the delivered products are received and confirmed by the customer.

Export sales refers to the transfer of relevant risks and remuneration according to the order and the confirmation of income after the goods are shipped and the export declaration formalities.

## **20. Government grants**

Government grants refer to the company's free acquisition of monetary assets or non-monetary assets from the government. The government grants can be confirmed only if it satisfies the following conditions at the same time:

(1)The company can meet the conditions attached to government grants;

(2)The company can receive government grants.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Government grants include government grant related to an asset and government grant related to income.

The government grants obtained by the company to purchase or construct or otherwise form a long-term asset is classified as a government grant related to the asset. Government grants related to assets are written off against the carrying amount of the related assets or recognized as deferred income, and are charged to profit or loss on a reasonable and systematic basis over the useful life of the relevant assets. Government grants measured at nominal amounts are directly charged to profit or loss for the current period. If the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the undistributed balance of related deferred income will be transferred to the profit or loss of the asset disposal in the current period.

Government grants other than government grants related to assets are classified as government grant related to income. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

Accounting treatment will be conducted for government subsidies that at the same time include those associated with assets and income by different parts: if it is difficult to distinguish, they will be deemed as government subsidies associated with income.

If the government grant is related to the daily business, it is recognized as other income or offset related cost expenses; otherwise, it is recognized as no business income.

The company relocated due to public interests such as the overall planning of the town, the construction of the reservoir area, the renovation of the shanty town, and the treatment of the subsidence area. The company received the relocation compensation paid directly by the government from the financial budget and treated it as a special payable. Among them, belonging to the loss of fixed assets and intangible assets incurred during the relocation and reconstruction of the enterprise, related cost expenses, losses due to work stoppages, and the

proposed new assets after relocation, shall be transferred from deferred payables to deferred income, and The nature is calculated based on the government grants related to the assets and the government grants related to the income. If there is any balance after the relocation compensation obtained after deducting the deferred income, the capital reserve shall be recognized.

Where the company obtains interest discounts on preferential policy loans, it shall distinguish between two situations in which the government allocates the interest-bearing funds to the lending bank and the finance directly allocates the interest-subsidy funds to the enterprise:

(1) When the finance allocates the interest-subsidy funds to the lending bank and the lending bank provides loans to the enterprise at the policy preferential interest rate, the enterprise may choose one of the following methods for accounting treatment: 1) The borrowing amount actually received is used as the entry value of the loan. According to the loan principal and the policy preferential interest rate, the relevant borrowing costs are calculated. 2) The fair value of the borrowing is taken as the recorded value of the borrowing and the borrowing cost is calculated according to the actual interest rate method. The difference between the actual amount received and the fair value of the borrowing is recognized as deferred income. Deferred income is amortized over the life of the borrowing using the effective interest method to offset the related borrowing costs. After an enterprise has selected one of the above two methods, it shall apply it consistently and shall not arbitrarily change it.

(2) If the government directly distributes the interest-subsidy funds to the company, the corresponding discount will offset the relevant borrowing costs.

If a government subsidy that has been confirmed by the company needs to be returned, it shall be accounted for according to the following provisions in the case of sub-conditions that need to be returned.:

(1) When the initial recognition is used to offset the book value of the relevant assets, the book value of assets shall be adjusted.;

(2) If there is related deferred income, the book balance of related deferred income is written off, and the excess part is included in the current profit or loss.;

(3) In other cases, directly included in the current profit and loss.

## **21. Deferred tax asset and deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the

tax laws. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). 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 the liability is settled.

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

## **22. Leases**

### **(1) Lessees**

When the Company is a lessee, right-of-use assets and lease liabilities are recognized for leases at the commencement date of the lease term, except for short-term leases and leases of low-value assets for which simplified treatment is elected.

After the commencement date of the lease term, the Company adopts the cost model for the subsequent measurement of the right-of-use asset. Right-of-use assets are depreciated with reference to the depreciation provisions of "ASBE No. 4 - Fixed Assets". If the lessee can be reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, depreciation should be provided over the remaining useful life of the leased asset. If it is not reasonably certain that ownership of the leased asset can be obtained at the end of the lease term, depreciation should be provided over the shorter of the lease term and the remaining

useful life of the leased asset. The Company determines whether a right-of-use asset is impaired and accounts for the identified impairment loss in accordance with the provisions of "ASBE No. 8 - Impairment of Assets".

The Company calculates interest expense on lease liabilities at a fixed periodic rate for each period of the lease term and recognizes it in profit or loss for the current period. If it should be charged to the cost of the relevant assets in accordance with other standards such as "ASBE No. 17 - Borrowing Costs", the provisions shall apply.

For short-term leases and leases of low-value assets, the Company has chosen not to recognize right-of-use assets and lease liabilities, and the lease payments for short-term leases and leases of low-value assets are charged to the cost of the related assets or to current profit or loss on a straight-line basis over each period of the lease term.

## (2) Lessors

### 1) Finance leases

The Company, as the lessor, recognizes finance lease receivables for finance leases at the commencement date of the lease term and derecognizes the finance lease assets, and calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate.

### 2) Operating leases

The Company, as the lessor, recognizes lease receipts from operating leases as rental income using the straight-line method over each period of the lease term. Initial direct costs incurred in connection with operating leases are capitalized, apportioned over the lease term on the same basis as rental income is recognized, and recognized in profit or loss in the current period in installments.

For fixed assets under operating leases, the Company should depreciate them using the depreciation policy for similar assets; for other operating lease assets, they should be amortized using a systematic and reasonable method in accordance with the enterprise accounting standards applicable to such assets. The Company determines whether an operating lease asset is impaired in accordance with the provisions of "ASBE No. 8 - Impairment of Assets" and accounts for it accordingly.

## V. MAJOR CATEGORIES OF TAXES AND TAX RATES

Category of tax	Base of tax computation	Tax rate
Value-added Tax	Value-added tax is computed on the	13%

Category of tax	Base of tax computation	Tax rate
	difference after deduction of input value-added tax	
Real estate tax	30% off from the original value based on price model	1.2%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income amount	8.84%;15%;16.5%;21%;25%

1. For enterprise income tax, subsidiary in Hong Kong is subject to the rate of 16.5% and those in USA is applied to federal rate of 21% and California state rate of 8.84% (the minimum tax amount is \$800.00).

## 2. Tax incentives

### (1) Income tax

Zhuhai ACCESS on December 1,2020 by science and technology department of Guangdong province, the departments of Guangdong province, the state administration of taxation in Guangdong province revenue jointly identified as a high-tech enterprise, certificate number: GR202044001550, according to the enterprise income tax law of the People's Republic of China and the measures for the administration of the company in 2020 to 2022 enjoy national key support of high-tech enterprise income tax preferential policies, enterprise income tax reduced by 15%.

According to the Announcement of the State Administration of Taxation No.24 of the State Administration of Taxation on issues related to the implementation of preferential income tax policies for High-tech Enterprises, the enterprise qualification of the enterprise income tax shall be temporarily paid in advance at the tax rate of 15% before the re-recognition. In 2023, Zhuhai ACCESS has handled the re-identification of high-tech enterprises, in line with the recognition of high-tech enterprises, and the certificate number is GR202344002873. According to the relevant regulations, the enterprise income tax is reduced by 15%.



Nantong Access has applied to the competent department of Jiangsu high-tech enterprises, and the Torch High Technology Industry Development Center has identified it as a high-tech enterprise (registration number: GR202332006449). In accordance with relevant regulations, the enterprise income tax will be reduced by 15% in 2023

## (2) Value added tax

During the reporting period, the export products enjoy value added tax refund preference policy. The export product value added tax refund rate is 13%.

## (3) Pre tax deduction of R & D expenses

During the reporting period, Zhuhai YUEXIN、Nantong ACCESS and Zhuhai ACCESS enjoys 200% plus deduction for R & D expenses in 2023. Nantong ACCESS enjoys 100% plus deduction for R & D expenses in 2023.

# VI. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

## 1. Changes of accounting policies

From January 1,2023, the relevant provisions of the Accounting Standards for Interpretation of Business Enterprises No.16 are adopted to adjust the deferred income tax assets, deferred income tax liabilities, income tax expenses, retained earnings at the beginning of the year and the amount of other related items according to the cumulative impact, and the comparable period information will not be adjusted. The impact of accounting policy changes is as follows:

Content and reasons of the accounting policy change	Affected report item name and amount
The corresponding deferred income tax liabilities and deferred income tax assets as the taxable temporary differences and deductible temporary differences arising from the initial	On January 1,2023, the consolidated balance sheet adjusted the amount of deferred income tax assets by RMB 10,992,597.23, the amount of deferred income tax liabilities by RMB 9,401,010.82, and the amount of undistributed profits at the beginning of the year by RMB 1,591,586.41. On January 1,2023, the balance sheet of the parent company adjusted and increased the amount of deferred income tax assets by RMB 3,561,723.92, adjusted the amount of deferred income tax liabilities by RMB 3,697,742.48, and adjusted the amount of

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recognition of the lease transaction.	undistributed profit at the beginning of the year by RMB - 136,018.56.
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## 2. Changes in accounting estimates

There is no change to the accounting estimate for the ended 31 December 2023.

## 3. Corrections of prior period errors

There is no prior period error found for the ended 31 December 2023.

# VII. NOTES TO IMPORTANT ITEMS IN FINANCIAL STATEMENTS

**Note: Opening balance refers to 31 December 2022; Closing balance refers to 31 December 2023; Prior period refers to 1 January to 31 December 2022; Current period refers to 1 January to 31 December 2023.**

## 1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	248,421.30	249,073.12
Cash at bank	560,649,197.41	579,543,395.30
Other cash balances	5,225,501.92	4,504,537.99
<u>Total</u>	<u>566,123,120.63</u>	<u>584,297,006.41</u>

1) As at 31 December 2023, the restricted other cash and cash equivalent is as follow:

Item	Closing balance	Opening balance
Bill deposit	5,225,501.92	4,504,537.99
Fixed time deposit		
<u>Total</u>	<u>5,225,501.92</u>	<u>4,504,537.99</u>

2) As at 31 December 2023, the amounts in overseas accounts are RMB 5,207,024.92.

## 2. Notes receivable

Category	Closing balance			Opening balance		
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value
Bank acceptance bills	2,752,004.33		2,752,004.33	4,424,888.48		4,424,888.48
<u>Total</u>	<u>2,752,004.33</u>		<u>2,752,004.33</u>	<u>4,424,888.48</u>		<u>4,424,888.48</u>

### 3. Accounts receivable

Categories	Closing balance				
	Carrying amount	Bad debt provision			Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables with provision for bad debts by portfolio	<u>481,397,197.95</u>	<u>100.00</u>	<u>9,842,447.78</u>		<u>471,554,750.17</u>
Including: expected credit loss portfolio	481,397,197.95	100	9,842,447.78	2.04	471,554,750.17
<u>Total</u>	<u>481,397,197.95</u>	<u>100.00</u>	<u>9,842,447.78</u>		<u>471,554,750.17</u>

Continued:

Categories	Opening balance				
	Carrying amount	Bad debt provision			Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables with provision for bad debts by portfolio	<u>263,423,467.74</u>	<u>100.00</u>	<u>4,306,676.05</u>	<u>1.63</u>	<u>259,116,791.69</u>
Including:					
expected credit loss portfolio	263,423,467.74	100.00	4,306,676.05	1.63	259,116,791.69
<u>Total</u>	<u>263,423,467.74</u>	<u>100.00</u>	<u>4,306,676.05</u>		<u>259,116,791.69</u>

1) Disclosures based on aging:

<b>Aging</b>	<b>Closing balance</b>	<b>Opening balance</b>
	<b>Amount</b>	<b>Amount</b>
within 1 year (inclusive)	480,359,900.83	262,651,974.53
Over 1 year but within 2 years (inclusive)	258,909.93	
Over 2 years but within 3 years (inclusive)		
Over 3 years but within 4 years (inclusive)	778,387.19	771,493.21
<u>Total</u>	<u>481,397,197.95</u>	<u>263,423,467.74</u>

2) In portfolio, allowance for doubtful accounts based on portfolio of credit risk is as follows:

<b>Categories</b>	<b>Closing Balance</b>		<b>Expected credit loss rate for the whole duration (%)</b>
	<b>Accounts Receivables</b>	<b>Allowance for doubtful accounts</b>	
Not Overdue	402,391,287.23	4,023,912.85	1.00
Overdue within 30 days(inclusive)	58,109,942.67	2,905,497.14	5.00
Overdue within 31 to 90 days(inclusive)	19,665,385.51	1,966,538.55	10.00
Overdue within 91 to 365 days(inclusive)	193,285.42	38,657.08	20.00
Overdue within 1 to 2 years(including 2)	258,909.93	129,454.97	50.00
Overdue more than 2 years	778,387.19	778,387.19	100.00
<u>Total</u>	<u>481,397,197.95</u>	<u>9,842,447.78</u>	

Continued:

<b>Categories</b>	<b>Opening Balance</b>
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	<b>Accounts Receivables</b>	<b>Allowance for doubtful accounts</b>	<b>Expected credit loss rate for the whole duration (%)</b>
Not Overdue	246,387,769.26	2,463,877.74	1.00
Overdue within 30 days(inclusive)	11,245,769.01	562,288.45	5.00
Overdue within 31 to 90 days(inclusive)	4,946,706.03	494,670.60	10.00
Overdue within 91 to 365 days(inclusive)	71,730.23	14,346.05	20.00
Overdue within 1 to 2 years(including 2)			50.00
Overdue more than 2 years	771,493.21	771,493.21	100.00
<b><u>Total</u></b>	<b><u>263,423,467.74</u></b>	<b><u>4,306,676.05</u></b>	

3) Top five accounts receivable at the end of the year

<b>Companies names</b>	<b>Relationship with the Group</b>	<b>Nature</b>	<b>Amount</b>	<b>Bad debt provision</b>	<b>Aging</b>
JCET Group Co., Ltd.	Third party	Sales of goods	78,450,234.32	1,680,441.83	within 1 year (inclusive)
Vanchip (Tianjin) Technology Co., Ltd.	Third party	Sales of goods	60,313,713.72	603,137.14	within 1 year (inclusive)
Stats Chippac Semiconductor Jiangyin Co., Ltd.	Third party	Sales of goods	45,067,608.04	1,819,619.47	within 1 year (inclusive)
Lansus Technologies Inc.	Third party	Sales of goods	40,612,693.26	406,126.93	within 1 year (inclusive)
Maxscend Microelectronics Company Limited	Third party	Sales of goods	27,711,524.20	277,115.24	within 1 year (inclusive)
<b><u>Total</u></b>			<b><u>252,155,773.54</u></b>	<b><u>4,786,440.61</u></b>	

#### 4. Prepayments

##### 1) Presented by aging

<b>Aging</b>	<b>Closing balance</b>	<b>Proportion (%)</b>	<b>Bad debt provision</b>	<b>Opening balance</b>	<b>Proportion (%)</b>	<b>Bad debt provision</b>
Within 1 year (inclusive)	13,382,463.29	98.88		7,719,944.77	96.07	
Over 1 year but within 2 years (inclusive)	95,956.50	0.71		273,245.10	3.40	
Over 2 years but within 3 years (inclusive)	19,556.60	0.14		42,920.00	0.53	
Over 3 years	36,350.00	0.27				
<b>Total</b>	<b>13,534,326.39</b>	<b>100.00</b>		<b>8,036,109.87</b>	<b>100.00</b>	

##### 2) Top five prepayments at the end of the period

<b>Companies names</b>	<b>Relationship with the Group</b>	<b>Amount</b>	<b>Proportion (%)</b>	<b>Nature of money</b>
Yantai Zhaojin Kanfort Precious Metals Incorporated Company	Third party	6,975,244.81	51.54	Prepayments for Material
Nantong Shibei Integrated Circuit Co., Ltd	Third party	1,597,200.00	11.80	Prepayments for other
Ajinomoto Fine—Techno Co.,Inc.	Third party	1,032,275.19	7.63	Prepayments for Material
Zhuhai Power Supply Bureau of Guangdong Power Grid Corporation	Third party	540,000.00	3.99	Prepayments for other
Zhuhai Founder Technology Multilayer Circuit Board Co., Ltd.	Third party	515,700.00	3.81	Prepayments for Material
<b>Total</b>		<b>10,660,420.00</b>	<b>78.77</b>	

#### 5. Other receivables

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Other receivables	5,187,171.16	9,611,206.98
<b>Total</b>	<b>5,187,171.16</b>	<b>9,611,206.98</b>

##### (1) Other receivables

1) Disclosure of other receivables by categories

Categories	Closing balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed individually for impairment				
Combination provision of accounts receivables in need of bad debt provision	5,963,049.25	100.00	775,878.09	13.01
Including: expected credit loss portfolio	5,963,049.25	100.00	775,878.09	13.01
Total combination	<u>5,963,049.25</u>	<u>100.00</u>	<u>775,878.09</u>	13.01
Individually insignificant but assessed individually for impairment				
<u>Total</u>	<u>5,963,049.25</u>	<u>100.00</u>	<u>775,878.09</u>	13.01

Continued:

Categories	Opening balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed individually for impairment				
Combination provision of accounts receivables in need of bad debt provision	10,203,068.97	100.00	591,861.99	5.80
Including: expected credit loss portfolio	10,203,068.97	100.00	591,861.99	5.80
Total combination	<u>10,203,068.97</u>	<u>100.00</u>	<u>591,861.99</u>	5.80

Categories	Opening balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually insignificant but assessed individually for impairment				
<u>Total</u>	<u>10,203,068.97</u>	<u>100.00</u>	<u>591,861.99</u>	5.80

2) The aging analysis of other receivables is as follows

Item	Closing balance		
	Amount	Bad debt provision	Proportion (%)
Security Deposit	1,350,297.47		
Others	4,612,751.78	775,878.09	16.82
<u>Total</u>	<u>5,963,049.25</u>	<u>775,878.09</u>	

3) Five largest balances of other receivables at the end of the year

Companies name		Nature of money	Amount	Aging	Proportion (%)	Bad debt provision
Nantong District Bureau	Gangzha Finance	Deposit	3,640,000.00	More than 3 years	61.04	728,000.00
Nantong Gas Co., Ltd.	Dazhong	Deposit	500,000.00	Within 1 year (inclusive)	8.38	.
Nantong Bureau	Finance	Deposit	487,165.00	Within 1 year (inclusive)	8.17	
Nantong Integrated Co., Ltd.	Shibei Circuit	Deposit	279,500.00	Over 1 year but within 2 years (inclusive)	4.69	
Zhuhai Technology Electronics Co., Ltd.	Founder Gaomi	Others	209,978.74	Within 1 year (inclusive)	3.52	10,498.94
<u>Total</u>			<u>5,116,643.74</u>		<u>85.80</u>	<u>738,498.94</u>



## 6. Inventories

### 1) Categories of inventories

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	45,227,118.13	180,970.67	45,046,147.46	50,297,503.04	1,965,751.28	48,331,751.76
Work-in-progress	136,640,586.57	16,442,942.04	120,197,644.53	94,328,790.84	4,132,322.94	90,196,467.90
Finished goods	42,925,705.47	502,777.14	42,422,928.33	39,048,896.07	1,526,449.68	37,522,446.39
Low value consumables	4,654,344.47		4,654,344.47	3,379,813.68		3,379,813.68
Merchandise shipped	13,755,866.35		13,755,866.35	10,518,734.19		10,518,734.19
<u>Total</u>	<u>243,203,620.99</u>	<u>17,126,689.85</u>	<u>226,076,931.14</u>	<u>197,573,737.82</u>	<u>7,624,523.90</u>	<u>189,949,213.92</u>

### 2) Provision for decline in value of inventories

Item	Opening balance	Increase in the current period	Decrease in the current period			Closing carrying amount
			Reversals	Written-off	Total	
Raw materials	1,965,751.28	153,169.43	1,937,950.04		1,937,950.04	180,970.67
Work-in-progress	4,132,322.94	44,995,268.83	2,235,560.12	30,449,089.61	32,684,649.73	16,442,942.04
Finished goods	1,526,449.68	502,777.14	1,526,449.68		1,526,449.68	502,777.14
<u>Total</u>	<u>7,624,523.90</u>	<u>45,651,215.40</u>	<u>5,699,959.84</u>	<u>30,449,089.61</u>	<u>36,149,049.45</u>	<u>17,126,689.85</u>

## 7. Other current assets

Item	Closing balance	Opening balance
Prepaid VAT	11,810,861.03	37,289,186.38
Intermediary service fee for IPO	1,550,000.04	699,999.99
Prepaid enterprise tax	840,421.22	516,019.00
<u>Total</u>	<u>14,201,282.29</u>	<u>38,505,205.37</u>

#### 8. Long-term receivables

Item	Closing balance	Opening balance
Financial Leasing deposits		1,108,736.56
<u>Total</u>		<u>1,108,736.56</u>

#### 9. Other equity instrument Investment

Item	Closing balance	Opening balance
semiconductor consortium with innovation and synergy in Nantong	34,556.54	146,859.29
<u>Total</u>	<u>34,556.54</u>	<u>146,859.29</u>

#### 10. Investment properties

Item	Plant and buildings	Total
I. Original book value		
1.Opening balance	3,306,589.91	<u>3,306,589.91</u>
2.Additions		
(1) Purchase		
(2) fixed assets transferred by construction in progress		
(3) Other addition		
3.Reductions		
(1) Disposals		
(2) Other reduction		
4.Closing balance	3,306,589.91	<u>3,306,589.91</u>
II. Accumulated depreciation		
1.Opening balance	1,264,065.30	<u>1,264,065.30</u>
2.Additions	244,657.80	<u>244,657.80</u>
(1) Provisions	244,657.80	<u>244,657.80</u>

Item	Plant and buildings	Total
3.Reductions		
(1) Disposals		
(2) Other reduction		
4.Closing balance	1,508,723.10	<u>1,508,723.10</u>
III. Allowance for impairment loss		
1.Opening balance		
2.Additions		
(1) Provisions		
3.Reductions		
(1) Disposals		
(2) Other reduction		
4.Closing balance		
IV. Net book value		
1.Closing net book value	<u>1,797,866.81</u>	<u>1,797,866.81</u>
2.Opening net book value	<u>2,042,524.61</u>	<u>2,042,524.61</u>

#### 11. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	2,497,979,179.76	1,937,504,328.94
<u>Total</u>	<u>2,497,979,179.76</u>	<u>1,937,504,328.94</u>

##### 1) Presented by category

Item	Plant and buildings	Machines	Motor vehicles	Delivery equipment and Other equipment	Total
I. Original book value					
1.Opening balance	1,162,908,604.78	1,578,639,729.90	2,617,856.20	81,445,070.66	<u>2,825,611,261.54</u>
2.Additions	<u>101,609,455.42</u>	<u>614,673,168.55</u>	<u>401,055.94</u>	<u>27,192,478.76</u>	<u>743,876,158.67</u>
(1) Purchase	4,595,258.85	14,200,058.68	401,055.94	17,852,633.09	<u>37,049,006.56</u>

Item	Plant and buildings	Machines	Motor vehicles	Delivery equipment and Other equipment	Total
(2) fixed assets transferred by construction in progress	97,014,196.57	596,735,860.15		9,339,845.67	<u>703,089,902.39</u>
(3) Other		3,736,752.21			<u>3,736,752.21</u>
(4)		497.51			<u>497.51</u>
Exchange rate impact					
3.Reductions		<u>10,755,279.24</u>		<u>1,210,852.34</u>	<u>11,966,131.58</u>
(1)		9,276,380.14		1,210,852.34	<u>10,487,232.48</u>
Disposals					
(2)					
Exchange rate impact					
(3) Other reduction		1,478,899.10			<u>1,478,899.10</u>
4.Closing balance	1,264,518,060.20	2,182,557,619.21	3,018,912.14	107,426,697.08	<u>3,557,521,288.63</u>
II. Accumulated depreciation					
1.Opening balance	170,640,765.86	686,642,549.03	1,476,249.25	19,058,867.22	<u>877,818,431.36</u>
2.Additions	<u>34,923,777.28</u>	<u>126,195,140.40</u>	<u>373,168.36</u>	<u>15,432,462.48</u>	<u>176,924,548.52</u>
(1)	34,923,777.28	125,317,843.97	373,168.36	15,432,462.48	<u>176,047,252.09</u>
Provisions					
(2) Other		876,923.09			<u>876,923.09</u>
(3)		373.34			<u>373.34</u>
Exchange rate impact					

Item	Plant and buildings	Machines	Motor vehicles	Delivery equipment and Other equipment	Total
3.Reductions		<u>3,088,408.73</u>		<u>954,234.11</u>	<u>4,042,642.84</u>
(1)		3,088,408.73		954,234.11	<u>4,042,642.84</u>
Disposals					
(2) Other					
4.Closing balance	<u>205,564,543.14</u>	<u>809,749,280.70</u>	<u>1,849,417.61</u>	<u>33,537,095.59</u>	<u>1,050,700,337.04</u>
III. Allowance for impairment loss					
1.Opening balance		10,284,116.38		4,384.86	<u>10,288,501.24</u>
2.Additions					
(1)					
Provisions					
3.Reductions		1,446,729.41			<u>1,446,729.41</u>
(1)		1,446,729.41			<u>1,446,729.41</u>
Disposals					
4.Closing balance		8,837,386.97		4,384.86	<u>8,841,771.83</u>
IV. Net book value					
1.Closing net book value	<u>1,058,953,517.06</u>	<u>1,363,970,951.54</u>	<u>1,169,494.53</u>	<u>73,885,216.63</u>	<u>2,497,979,179.76</u>
2.Opening net book value	<u>992,267,838.92</u>	<u>881,713,064.49</u>	<u>1,141,606.95</u>	<u>62,381,818.58</u>	<u>1,937,504,328.94</u>

2) Temporary idle fixed assets

Type	Original book value	Accumulated depreciation	Allowance for impairment loss	Net book value	remarks
Machines	23,498,358.39	13,027,472.41	8,837,386.97	1,633,499.01	
delivery equipment and other equipment	10,256.42	5,871.56	4,384.86		
<u>Total</u>	<u>23,508,614.81</u>	<u>13,033,343.97</u>	<u>8,841,771.83</u>	<u>1,633,499.01</u>	

## 12. Construction in progress

Item	Closing balance			Opening balance		
	Book value	Impairment provision	Carrying Amount	Book value	Impairment provision	Carrying amount
Nantong factory	42,418,625.35		42,418,625.35	49,313,343.15		49,313,343.15
Nantong equipment	86,650,545.63		86,650,545.63	188,066,530.12		188,066,530.12
Zhuhai equipment	2,664,419.26		2,664,419.26	15,343,012.82		15,343,012.82
Yuexin factory				3,051,062.33		3,051,062.33
Yuexin equipment	156,618,800.16		156,618,800.16	446,385,182.22		446,385,182.22
Yuexin software	11,857,507.14		11,857,507.14	12,151,008.05		12,151,008.05
<u>Total</u>	<u>300,209,897.54</u>		<u>300,209,897.54</u>	<u>714,310,138.69</u>		<u>714,310,138.69</u>

## 13. Right-of-use Asset

Item	Closing balance	Opening balance
Right-of-use Asset	36,944,815.64	47,457,151.10
<u>Total</u>	<u>36,944,815.64</u>	<u>47,457,151.10</u>

1) Presented by category

<b>Item</b>	<b>Plant and buildings</b>	<b>Machines</b>	<b>Motor vehicles</b>	<b>Delivery equipment and Other equipment</b>	<b>Total</b>
I. Original book value					
1.Opening balance	9,924,367.73	49,273,697.25			<u>59,198,064.98</u>
2.Additions					
(1)					
Purchase					
(2) fixed assets					
transferred by					
construction					
in progress					
(3) Increase in business combinations					
3.Reductions		<u>3,736,752.21</u>			<u>3,736,752.21</u>
(1)					
Disposals					
(2) Other reduction		3,736,752.21			<u>3,736,752.21</u>
4.Closing balance	<u>9,924,367.73</u>	<u>45,536,945.04</u>			<u>55,461,312.77</u>
II.					
Accumulated depreciation					
1.Opening balance	6,679,226.68	5,061,687.20			<u>11,740,913.88</u>
2.Additions	<u>3,245,141.05</u>	<u>4,407,365.29</u>			<u>7,652,506.34</u>
(1)					
Provisions	3,245,141.05	4,407,365.29			<u>7,652,506.34</u>
3.Reductions		<u>876,923.09</u>			<u>876,923.09</u>

Item	Plant and buildings	Machines	Motor vehicles	Delivery equipment and Other equipment	Total
(1)					
Disposals					
(2) Other		876,923.09			<u>876,923.09</u>
reduction					
4.Closing	<u>9,924,367.73</u>	<u>8,592,129.40</u>			<u>18,516,497.13</u>
balance					
III. Allowance					
for					
impairment					
loss					
1.Opening					
balance					
2.Additions					
(1)					
Provisions					
3.Reductions					
(1)					
Disposals					
(2) Other					
reduction					
4.Closing					
balance					
IV. Net book					
value					
1.Closing net		<u>36,944,815.64</u>			<u>36,944,815.64</u>
book value					
2.Opening net	<u>3,245,141.05</u>	<u>44,212,010.05</u>			<u>47,457,151.10</u>
book value					

#### 14. Intangible assets



Item	Software	Land use rights	Patent	Chartered right	Total
I. Original book value					
1.Opening balance	24,499,349.36	65,484,708.94	95,043,899.36	2,913,962.27	<u>187,941,919.93</u>
2.Additions	<u>2,718,368.42</u>				<u>2,718,368.42</u>
(1) Purchase	2,717,097.66				<u>2,717,097.66</u>
(2) Intangible assets transferred by construction in progress					
(3) Exchange rate impact	1,270.76				<u>1,270.76</u>
3.Reductions					
(1) Disposals					
(2) Exchange rate impact					
4.Closing balance	27,217,717.78	65,484,708.94	95,043,899.36	2,913,962.27	<u>190,660,288.35</u>
II. Accumulated amortization					
1.Opening balance	11,276,770.55	3,805,183.72	75,242,423.43	825,622.64	<u>91,150,000.34</u>
2.Additions	<u>3,920,967.42</u>	<u>1,310,631.24</u>	<u>6,789,077.56</u>	<u>582,792.48</u>	<u>12,603,468.70</u>
(1) Provisions	3,919,762.04	1,310,631.24	6,789,077.56	582,792.48	<u>12,602,263.32</u>
(2) Exchange rate impact	1,205.38				<u>1,205.38</u>
3.Reductions					
(1) Disposals					
4.Closing balance	15,197,737.97	5,115,814.96	82,031,500.99	1,408,415.12	<u>103,753,469.04</u>
III. Allowance					

Item	Software	Land use rights	Patent	Chartered right	Total
for impairment loss					
1.Opening balance					
2.Additions					
(1)					
Provisions					
3.Reductions					
(1)					
Disposals					
4.Closing balance					
IV. Net book value					
1.Closing net book value	<u>12,019,979.81</u>	<u>60,368,893.98</u>	<u>13,012,398.37</u>	<u>1,505,547.15</u>	<u>86,906,819.31</u>
2.Opening net book value	<u>13,222,578.81</u>	<u>61,679,525.22</u>	<u>19,801,475.93</u>	<u>2,088,339.63</u>	<u>96,791,919.59</u>

#### 15. Long-term prepaid expenses

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wastewater station	24,137,997.04		630,187.32	23,507,809.72
<u>Total</u>	<u>24,137,997.04</u>		<u>630,187.32</u>	<u>23,507,809.72</u>

#### 16. Deferred tax assets

Item	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
I. Impairment provision	<u>4,300,045.71</u>	<u>28,370,554.02</u>	<u>2,796,812.48</u>	<u>16,606,432.79</u>
Bad debt	1,604,199.56	10,618,325.87	898,275.76	4,898,538.04

Item	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Inventory impairment	2,602,015.41	17,126,689.85	1,286,031.09	7,624,523.90
Impairment of fixed assets	93,830.74	625,538.30	612,505.63	4,083,370.85
II. Deductible losses	129,205,536.18	711,923,659.61	71,365,594.19	286,766,508.47
III. Deferred income	14,120,454.48	92,613,762.83	16,460,118.03	78,839,370.21
IV. estimated liabilities	2,084,585.99	13,453,477.38	1,735,505.62	11,570,037.43
V.Share-based payments	3,563,561.04	23,757,073.60		
VI. Intragroup transactions	2,933,634.69	16,598,621.96	3,215,264.28	21,435,095.20
VII. Lease liabilities	5,221,640.18	34,810,934.52		
<u>Total</u>	<u>161,429,458.27</u>	<u>921,528,083.92</u>	<u>95,573,294.60</u>	<u>415,217,444.10</u>

#### 17. Other non-current assets

Item	Closing balance	Opening balance
Payment for equipment	6,704,143.50	6,263,878.26
Payment for engineering	13,824,086.31	2,678,495.95
Input tax to be deducted		44,037,663.80
<u>Total</u>	<u>20,528,229.81</u>	<u>52,980,038.01</u>

#### 18. Short-term borrowings

Item	Closing balance	Opening balance
Credit loan	164,365,284.70	81,697,879.34
Guaranteed loan	38,000,000.00	33,033,000.00
Interests payable	70,988.66	58,666.67
<u>Total</u>	<u>202,436,273.36</u>	<u>114,789,546.01</u>

#### 19. Notes payable

Item	Closing balance	Opening balance
Bank acceptance bills		12,140,175.47
<u>Total</u>		<u>12,140,175.47</u>

## 20. Accounts payable

Aging	Closing balance	Opening balance
Within 1 year (inclusive)	272,222,895.12	141,859,921.75
Over 1 year	1,564,376.90	3,466,715.74
<u>Total</u>	<u>273,787,272.02</u>	<u>145,326,637.49</u>

## 21. Contract liability

Item	Closing balance	Opening balance
Sales of goods	53,174,801.78	66,727,296.35
<u>Total</u>	<u>53,174,801.78</u>	<u>66,727,296.35</u>

## 22. Employee benefits payable

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term compensation	33,518,752.20	288,138,062.44	288,160,247.00	33,496,567.64
Post-employment Benefits		18,833,259.59	18,833,259.59	
<u>Total</u>	<u>33,518,752.20</u>	<u>306,971,322.03</u>	<u>306,993,506.59</u>	<u>33,496,567.64</u>

(1) Short-term compensation

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	33,326,514.98	246,131,061.73	246,190,605.90	33,266,970.81
II. Employee benefits		26,124,565.38	26,124,565.38	

<b>Item</b>	<b>Opening balance</b>	<b>Increase in the current period</b>	<b>Decrease in the current period</b>	<b>Closing balance</b>
III. Social security contributions		6,433,240.51	6,433,240.51	
Including: 1. Medical insurance		6,021,716.29	6,021,716.29	
2. Occupational insurance		411,524.22	411,524.22	
IV. Housing funds		6,355,446.00	6,355,446.00	
V. Labor union fee and workers' education funds	192,237.22	3,093,748.82	3,056,389.21	229,596.83
<u>Total</u>	<u>33,518,752.20</u>	<u>288,138,062.44</u>	<u>288,160,247.00</u>	<u>33,496,567.64</u>

(2) Post-employment Benefits—defined contribution plan liabilities

<b>Item</b>	<b>Opening balance</b>	<b>Increase in the current period</b>	<b>Decrease in the current period</b>	<b>Closing balance</b>
I. Pension insurance		18,352,678.16	18,352,678.16	
II. Unemployment insurance		480,581.43	480,581.43	
<u>Total</u>		<u>18,833,259.59</u>	<u>18,833,259.59</u>	

**23. Taxes payable**

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Enterprise income tax	17,860,534.72	9,086,385.80
Value added tax	9,366,921.58	10,281,101.26
Property tax	4,857,910.82	834,369.71
Disability insurance fund	1,246,797.28	800,000.00
City maintenance and construction tax	603,899.28	465,873.39
Individual income tax	493,741.19	627,218.90
Education surcharges	431,356.63	332,766.73
Land use tax	175,571.56	117,586.80
Stamp duty	386,663.22	221,260.86

Item	Closing balance	Opening balance
Environmental protection tax	37,159.79	13,435.51
<u>Total</u>	<u>35,460,556.07</u>	<u>22,779,998.96</u>

#### 24. Other payables

Item	Closing balance	Opening balance
Other payables	289,157,243.24	483,449,186.71
<u>Total</u>	<u>289,157,243.24</u>	<u>483,449,186.71</u>

##### (1) Other payables

Aging	Closing balance	Opening balance
Within 1 year (inclusive)	205,840,207.43	469,941,865.04
Over 1 year	83,317,035.81	13,507,321.67
<u>Total</u>	<u>289,157,243.24</u>	<u>483,449,186.71</u>

#### 25. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term loans due within one year	168,961,125.00	124,000,000.00
Long-term payables due within one year	1,401,196.15	14,658,601.02
Lease liability due within one year	9,049,291.31	19,408,900.22
Long-term Interests payable due within one year	531,208.63	469,382.19
<u>Total</u>	<u>179,942,821.09</u>	<u>158,536,883.43</u>

#### 26. Other current liabilities

Item	Closing balance	Opening balance
Output tax to be transferred	6,334,986.00	8,285,577.80
Endorsed but not-yet due notes	492,372.43	
<u>Total</u>	<u>6,827,358.43</u>	<u>8,285,577.80</u>

#### 27. Long-term borrowings

Item	Closing balance	Opening balance
Mortgage loan	343,549,557.71	263,515,452.72

Item	Closing balance	Opening balance
Guaranteed loan	10,000,000.00	12,000,000.00
<u>Total</u>	<u>353,549,557.71</u>	<u>275,515,452.72</u>

## 28. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	28,603,860.90	46,178,411.45
Less: Unrecognized financing charges	2,842,217.69	12,118,992.30
<u>Total</u>	<u>25,761,643.21</u>	<u>34,059,419.15</u>

## 29. Estimated Liabilities

Item	Closing balance	Opening balance
Replenishment costs	13,453,477.38	11,570,037.43
<u>Total</u>	<u>13,453,477.38</u>	<u>11,570,037.43</u>

## 30. Deferred income

Items	Opening carrying amount	Increase in the current period	Decrease in the current period	Closing carrying amount	Formation cause
Deferred income from government grant	78,839,370.21	23,914,102.00	10,139,709.38	92,613,762.83	Government grant
<u>Total</u>	<u>78,839,370.21</u>	<u>23,914,102.00</u>	<u>10,139,709.38</u>	<u>92,613,762.83</u>	

## 31. Deferred Tax Liability

Item	Closing balance		Opening balance	
	Taxable Temporary Differences	Deferred income tax Liabilities	Taxable Temporary Differences	Deferred income tax Liabilities
Accelerated depreciation	811,536,571.23	148,432,771.18	506,822,253.51	109,128,166.88
Temporary differences in right-of-use assets	36,944,815.64	5,534,183.57		
<u>Total</u>	<u>848,481,386.87</u>	<u>153,966,954.75</u>	<u>506,822,253.51</u>	<u>109,128,166.88</u>

### 32. Share capital

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
- Shares held by stated-owned companies	299,789,585.00			299,789,585.00
- Shares held by domestic shareholders	235,702,340.00			235,702,340.00
- Shares held by Overseas Corporation	356,181,120.00			356,181,120.00
<u>Total</u>	<u>891,673,045.00</u>			<u>891,673,045.00</u>

### 33. Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share premium	942,919,933.75			942,919,933.75
Other capital reserves	-3,616,081.39	23,757,073.60		20,140,992.21
<u>Total</u>	<u>939,303,852.36</u>	<u>23,757,073.60</u>		<u>963,060,925.96</u>

### 34. Other comprehensive income

Item	Accrued during the year					Closing balance
	Opening balance	Increase in the current period	Decrease in the current period	Income tax expense	Net-of-tax amount attributable to shareholders of the Company	
Under the equity method, the share of other comprehensive	-253,140.71	-112,302.75			-112,302.75	-365,443.46



Item	Opening balance	Increase in the current period	Accrued during the year		Net-of-tax amount attributable to shareholders of the Company	Closing balance
			Decrease in the current period	Income tax expense		
sive income not reclassified into gains or losses Translation differences of foreign currency financial statements	881,416.77	176,996.47			176,996.47	1,058,413.24
<u>Total</u>	<u>628,276.06</u>	<u>64,693.72</u>			<u>64,693.72</u>	<u>692,969.78</u>

### 35. Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Surplus reserve	73,055,993.04	24,598,327.41		97,654,320.45
<u>Total</u>	<u>73,055,993.04</u>	<u>24,598,327.41</u>		<u>97,654,320.45</u>

### 36. Retained earnings

Item	Amount in current period	Amount in prior period
Retained profits at the end of last term	606,665,743.88	243,909,744.67
Total adjusted Retained profits at the end of last year	1,591,586.41	
Opening balance	608,257,330.29	243,909,744.67
Add: Net profits for the year attributable to shareholders of the Company	178,399,665.93	426,158,144.77
Changes of accounting policy		
Decrease in the current year	<u>24,598,327.41</u>	<u>63,402,145.56</u>

<b>Item</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Including: Transfer to surplus reserve	24,598,327.41	63,402,145.56
Closing balance	762,058,668.81	606,665,743.88

### **37. Operating income and operating costs**

<b>Item</b>	<b>Amount in current period</b>		<b>Amount in prior period</b>	
	<b>Operating income</b>	<b>Operating costs</b>	<b>Operating income</b>	<b>Operating costs</b>
Principal operation	1,639,934,041.86	1,185,995,684.93	1,631,921,762.89	982,185,088.26
Other business	71,233,515.73	64,198,710.62	43,084,798.24	38,029,285.87
<u>Total</u>	<u>1,711,167,557.59</u>	<u>1,250,194,395.55</u>	<u>1,675,006,561.13</u>	<u>1,020,214,374.13</u>

### **38. Business taxes and levies**

<b>Item</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Property tax	7,845,588.37	6,278,962.43
City maintenance and construction fee	4,551,560.86	5,779,439.98
Educational surcharge	3,251,114.88	4,128,171.43
Stamp duty	1,076,125.62	1,360,893.60
Land use right tax	528,331.92	588,837.43
Disability Allowance	618,985.08	431,363.83
Others	118,662.23	128,279.85
<u>Total</u>	<u>17,990,368.96</u>	<u>18,695,948.55</u>

### **39. Selling expenses**

<b>Items</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Replenishment costs	23,944,071.95	11,628,537.43
Labor cost	5,459,652.49	4,339,378.76
Entertainment expenses	1,440,641.33	1,028,237.23
Travel expenses	718,126.68	355,276.63
Rental expenses	188,633.11	171,689.57
Publicity expenses	371,306.29	171,427.00
Office expenses	172,473.89	167,603.48

<b>Items</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Other expenses	34,103.89	42,897.43
Depreciation	16,987.18	28,995.09
<u>Total</u>	<u>32,345,996.81</u>	<u>17,934,042.62</u>

#### **40. Administrative expenses**

<b>Item</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Labor costs	30,661,107.19	23,097,051.40
Depreciation and amortizations	7,994,212.16	3,734,251.32
Technology transfer fee and royalty fees	4,758,614.08	5,201,751.17
Office expenses	1,852,758.22	2,003,595.26
Business reception fee	2,476,035.37	1,292,267.22
Intermediary service fee	2,045,990.30	3,041,881.56
Expenses on board meetings	482,216.93	425,580.53
Maintenance expenses	84,129.50	164,442.75
Share-based payment	23,757,073.60	
Other expenses	2,062,261.49	2,023,862.95
<u>Total</u>	<u>76,174,398.84</u>	<u>40,984,684.16</u>

#### **41. Research and development expenses**

<b>Item</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Materials	70,651,394.59	45,612,957.45
Staff wages	18,139,201.60	15,473,194.95
Depreciation and amortization	8,364,925.09	5,504,079.75
Others	200,000.00	
<u>Total</u>	<u>97,355,521.28</u>	<u>66,590,232.15</u>

#### **42. Financial expenses**

<b>Item</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Interest expenses	34,992,349.61	33,428,229.25

Item	Amount in current period	Amount in prior period
Less: interest income	12,716,177.84	16,207,421.15
Net exchange income	-361,267.61	6,390,348.15
Other financial expenses	269,285.73	1,276,394.96
<u>Total</u>	<u>22,184,189.89</u>	<u>24,887,551.21</u>

#### 43. Other Income

Item	Amount in current period	Amount in prior period
Government subsidies	31,278,179.04	21,820,817.38
<u>Total</u>	<u>31,278,179.04</u>	<u>21,820,817.38</u>

#### 44. Loss on impairment of assets

Item	Amount in current period	Amount in prior period
Bad debt loss	-5,709,390.02	-3,072,479.49
Inventories impairment	-45,651,215.40	-3,746,900.67
<u>Total</u>	<u>-51,360,605.42</u>	<u>-6,819,380.16</u>

#### 45. Profit on disposal of assets

Item	Amount in current period	Amount in prior period
Loss on disposal of fixed assets(Losses are indicated by "-")	6,127.90	74,710.65
<u>Total</u>	<u>6,127.90</u>	<u>74,710.65</u>

#### 46. Non-operating income

Item	Amount in current period	Amount in prior period	Amount recognized in extraordinary gain and loss in 2023.1-6
Others	2,898,645.18	1,697,017.68	2,898,645.18
<u>Total</u>	<u>2,898,645.18</u>	<u>1,697,017.68</u>	<u>2,898,645.18</u>

#### 47. Non-operating expenses

Item	Amount in current period	Amount in prior period	Amount recognized in extraordinary gain and loss in 2023.1-6
Losses on damage or abandonment of non-current assets	398,522.20	996,809.28	398,522.20
Donation	19,363.20	140,073.30	19,363.20
Others	367,805.23	479,033.78	367,805.23
<u>Total</u>	<u>785,690.63</u>	<u>1,615,916.36</u>	<u>785,690.63</u>

#### 48. Income tax expenses

Item	Amount in current period	Amount in prior period
Current income tax	37,917,310.12	47,465,489.27
Deferred income tax charge	-19,357,633.72	27,233,343.46
<u>Total</u>	<u>18,559,676.40</u>	<u>74,698,832.73</u>

Reconciliation of income tax expenses to profit before tax is as follows:

Item	Amount in current period
Profit before tax	196,959,342.33
Tax at the statutory tax rate	29,543,901.35
Effect of different tax rates applicable to certain subsidiaries	8,031,166.96
adjustments in respect of current tax of previous periods	
Income not subject to tax	
Expenses not deductible for tax	327,830.27
Tax losses utilized from previous periods	
Effect of unrecognized deductible temporary differences and deductible tax losses	
Additional deduction for research and development expenses	-18,890,025.55
Effect of changes in tax rates	-453,196.63
Tax charge at the Group's effective tax rate	<u>18,559,676.40</u>

#### 49. Supplementary information to statement of cash flow

Reconciliation of net profits to cash flows from operating activities

Item	Amount in current period	Amount in prior period
<b>I. Reconciliation of net profits to cash flows from operating activities:</b>		
Net profit for the period	178,399,665.93	426,158,144.77
Add: Provision for impairment losses of assets	51,360,605.42	6,819,380.16
Depreciation of fixed assets and investment properties	176,291,909.89	134,828,177.61
Amortization of the right-of-use assets	7,652,506.34	9,329,970.00
Amortization of intangible assets	12,602,263.32	12,141,238.02
Amortization of long-term prepaid expense	630,187.32	367,538.02
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “-”)	-6,127.90	683,249.07
Losses on discarding fixed assets (gains are indicated by “-”)	292,327.48	
Losses on changes in fair value (gains are indicated by “-”)		
Financial expenses (gains are indicated by “-”)	34,007,906.92	43,449,419.19
Investment losses (gains are indicated by “-”)		
Decrease in deferred tax assets(increase are indicated by “-”)	-54,795,410.77	-13,861,913.76
Increase in deferred tax liabilities(decrease are indicated by “-”)	35,437,777.05	41,068,255.48
Decrease in inventories(increase are indicated by “-”)	-81,778,932.62	-12,445,491.30
Decrease of operating receivables (increase are indicated by “-”)	-192,279,781.64	-34,707,959.82
Increase of operating payables (decrease are indicated by “-”)	145,338,496.88	-2,715,484.82
Others	23,757,073.60	
<b>Net amount of cash flow arising from operating activities</b>	<u>336,910,467.22</u>	<u>611,114,522.62</u>

Item	Amount in current period	Amount in prior period
<b>II. Investing and financing activities not involving cash receipts and payments</b>		
Debt for capital		
Convertible bonds due within one year		
Fixed assets rented under finance leases		
<b>III. Net increase of cash and cash equivalents</b>		
Closing balance of cash	560,897,618.71	579,792,468.42
Less: Opening balance of cash	579,792,468.42	639,332,151.18
Add: Closing balance of cash equivalents		
Add: Opening balance of cash equivalents		
<b>Net increase of cash and cash equivalents</b>	<u>-18,894,849.71</u>	<u>-59,539,682.76</u>

1) Information of cash and cash equivalents

Item	Amount in current period	Amount in prior period
I.Cash	<u>560,897,618.71</u>	<u>579,792,468.42</u>
Inc: 1.Cash on hand	248,421.30	249,073.12
2.Bank deposits available for payment at any time	560,649,197.41	579,543,395.30

## **VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

### **1. Criteria for related party:**

A party that controls, jointly controls the other party or exerts a significant influence on the other party, and if two or more parties are controlled, jointly controlled or have a significant influence, constitute a related party.

### **2. Information on the parent company of the Company**

The largest shareholder of the Company is AMITEC Company, which holds 39.9453% of the

Company at the balance sheet date.

AMITEC Corporation is a holding subsidiary of the Israeli-listed company, Priortech Corporation. Israeli Mr. Yotam Stern and Mr. Rafi Amit are the actual controllers of the AMITEC Corporation.

### 3. Details of the Company's subsidiaries

Interests in subsidiaries

Name	Principle place of business	Place of registration	Nature of business	Shareholding ratio (%)		Vote ratio (%)	Acquisition method
				Dire ct	Indire ct		
Hong Kong Advanced Chip Carriers & Electronic Substrate Co., Ltd (Hong Kong Access)	Hong Kong	Hong Kong	Selling of package substrate	100		100	Direct investment
Nantong ACCESS semiconductor Co., Ltd	Nan Tong	Nan Tong	Production	100		100	Direct investment
Zhuhai YUEXIN Semiconductor Co., Ltd.	Zhu Hai	Zhu Hai	Production	100		100	Direct investment

4. Details of the Company's joint ventures or associates: Nil.

### 5. Information on other related parties

Name of the entities	Relationship with the Group
Zhuhai Founder Technology Multilayer Circuit Board Co., Ltd.	Founder Group's subsidiary
Zhuhai Founder Technology High Density Electronic Co., Ltd.	Founder Group's subsidiary
Zhuhai Founder Printed Circuit Board Development Limited	Founder Group's subsidiary
Peking University Founder Group Corp.	Founder Group's subsidiary
CIMS Suzhou Co., Ltd.	Founder Group's subsidiary



<b>Name of the entities</b>	<b>Relationship with the Group</b>
HONG KONG SMART INVESTMENT LIMITED	One of the Group's shareholders
Peking University Founder Information Industry Group Co.,Ltd.	Founder Group's subsidiary
Founder International Co.,Ltd.	Founder Group's subsidiary
CHEN CHUNLING	Chief Financial Officer and Secretary of the Board
Beijing EC-Founder Co.,Ltd.	Founder Group's subsidiary
Chongqing Founder Hi-Tech Electronic Inc.	Founder Group's subsidiary
Kangdai image technology (Suzhou) Co., Ltd	LIN-LINZHOU serves as a director
China Ping An Property & Casualty Insurance Company Limited Nantong Center Sub-Branch	Enterprises controlled by the parent company of the shareholder of the Company

## 6. Significant related party transactions

### 1) Selling Goods/Providing Services

<b>Name of related parties</b>	<b>Type of related party transaction</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Zhuhai Founder Technology High Density Electronic Co., Ltd.	Selling Goods	56,235,439.25	5,189,574.20
Zhuhai Founder Technology High Density Electronic Co., Ltd.	Providing Services	1,609,799.60	1,266,741.38
Zhuhai Founder Technology High Density Electronic Co., Ltd.	Providing Services	311,678.88	80,149.35
Zhuhai Founder Technology High Density Electronic Co., Ltd.	Selling Goods		21,667.60
Chongqing Founder Hi-Tech Electronic Inc.	Selling Goods		24,542.00

<b>Name of related parties</b>	<b>Type of related party transaction</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Zhuhai Founder Technology Multilayer Circuit Board Co., Ltd.	Selling Goods		76,495.82
Zhuhai Founder Technology Multilayer Circuit Board Co., Ltd.	Providing Services	11,094.34	
Zhuhai Founder Technology High Density Electronic Co., Ltd.	Providing Services	8,783.02	

2) Purchase of goods/ services

<b>Name of related parties</b>	<b>Type of related party transaction</b>	<b>Amount in current period</b>	<b>Amount in prior period</b>
Zhuhai Founder HDI PCB Co., Ltd.	Purchase of service	3,043,008.21	4,005,065.83
Zhuhai Founder PCB Development Co., Ltd.	Purchase of service	8,985,712.68	9,427,724.65
Kangdai image technology (Suzhou) Co., Ltd	Purchase of goods	32,250.00	35,340.00
Zhuhai Founder HDI PCB Co., Ltd.	Purchase of service	1,251,983.36	6,296,508.63
Kangdai image technology (Suzhou) Co., Ltd	Purchase of service	66,507.00	206,250.00
Beijing Founder Digital Co., Ltd.	Purchase of service		10,054,286.06
China Ping An Property & Casualty Insurance Company Limited Nantong Center Sub-Branch	Purchase of service	18,175.46	12,281.48

3) Leases

(a)The Group as a Lessor:

Name of lessors	Name of lessees	Type of leased assets	Starting date	Maturity date	Pricing basis of leasing payment	Leasing payment recognized in current period
ACCESS	Zhuhai Founder HDI PCB Co., Ltd.	High-low distribution equipment & DI water system	1/1/2023	31/12/2023	Agreed price	270,748.08
<u>Total</u>						<u>270,748.08</u>

(b)The Group as a lessee:

Name of lessors	Name of lessees	Type of leased assets	Starting date	Maturity date	Pricing basis of leasing payment	Leasing payment recognized in current period
Zhuhai Founder Technology multilayer PCB Co., Ltd.	ACCESS S	Plant	1/11/2021	31/12/2023	Agreed price	3,825,744.76
<u>Total</u>						<u>3,825,744.76</u>

## 7. Significant amounts due from and to related parties

### 1) Amounts due from related parties

Item	Related parties	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Monetary Funds	Ping An Bank Co., Ltd.	107,633,388.02		103,881,828.92	
Accounts receivable	Zhuhai Founder HDI PCB Co., Ltd.	7,585,442.40	75,854.42	997,868.06	9,978.68

Item	Related parties	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Prepayments	Zhuhai Founder Technology Multilayer Circuit Board Co., Ltd.	515,700.00		253,657.14	
Prepayments	China Ping An Property & Casualty Insurance Company Limited	3,119.38			
Prepayments	Nantong Center Sub-Branch				
Prepayments	Zhuhai Founder HDI PCB Co., Ltd.			587,915.08	
Prepayments	Zhuhai Founder PCB Development Co., Ltd.			540,477.33	
Other receivables	Zhuhai Founder HDI PCB Co., Ltd.	209,978.74	10,498.94	177,176.32	8,858.82

2) Amounts due to related parties

Item	Related parties	Closing balance	Opening balance
Accounts Payable	Zhuhai Founder HDI PCB Co., Ltd.	193,989.84	279,307.47
Accounts Payable	Kangdai image technology (Suzhou) Co., Ltd	14,102.40	151,275.66
Accounts Payable	Zhuhai Founder Technology Multilayer Circuit Board Co., Ltd.		181,100.00
Accounts Payable	Zhuhai Founder HDI PCB Co., Ltd.	1,566,312.87	163,617.09
Accounts Payable	China Ping An Property Insurance Company Limited Nantong Center Sub-Branch		3,949.04
Other payables	Suzhou Kangdai Intelligent Technology Co., Ltd		52,140.02

Item	Related parties	Closing balance	Opening balance
Other Payables	Beijing Founder Digital Co., Ltd.	846,822.06	4,472,581.05

## **IX. COMMITMENTS AND CONTINGENCIES**

### **1. Major commitments**

As at the balance sheet date, the significant capital commitment required to be disclosed by the Group was RMB36,258,702.25.

### **2. Contingencies**

As at the balance sheet date, the Group has no major contingencies that need to be disclosed.

## **X. EVENTS AFTER THE BALANCE SHEET DATE**

As at the balance sheet date, the Group has events after the balance sheet date that need to be disclosed.

## **XI. OTHER SIGNIFICANT EVENTS**

### **1. Debt restructuring**

As at the balance sheet date, the Group has no debt restructuring that need to be disclosed.

### **2. Exchange of non-monetary assets**

As at the balance sheet date, the Group has no non-monetary assets exchanges that need to be disclosed.

## **XII. NOTES TO SIGNIFICANT ITEMS IN THE COMPANY'S FINANCIAL STATEMENT**

### **1. Accounts receivable**

Categories	Closing balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Combination provision of accounts receivables	<u>449,231,808.79</u>	<u>100.00</u>	<u>8,220,472.82</u>	<u>1.83</u>
Combination 1. Expected credit loss	436,289,911.58	97.12	8,220,472.82	1.88
Combination 2 .Related party	12,941,897.21	2.88		
<u>Total combination</u>	<u>449,231,808.79</u>	<u>100.00</u>	<u>8,220,472.82</u>	<u>1.83</u>
<u>Total</u>	<u>449,231,808.79</u>	<u>100.00</u>	<u>8,220,472.82</u>	<u>1.83</u>

Continued:

Categories	Opening balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Combination provision of accounts receivables	<u>195,853,184.67</u>	<u>100.00</u>	<u>2,624,636.68</u>	<u>1.34</u>
Combination 1. Expected credit loss	150,543,366.77	76.87	2,624,636.68	1.74
Combination 2 .Related party	45,309,817.90	23.13		
<u>Total combination</u>	<u>195,853,184.67</u>	<u>100.00</u>	<u>2,624,636.68</u>	<u>1.34</u>
<u>Total</u>	<u>195,853,184.67</u>	<u>100.00</u>	<u>2,624,636.68</u>	<u>1.34</u>

1) The aging analysis of accounts receivable is as follows:

Aging	Closing balance	Opening balance
	Amount	Amount
within 1 year (inclusive)	448,891,807.92	195,513,307.17
Over 1 years but within 2 years (inclusive)		
Over 2 years but within 3 years		

<b>Aging</b>	<b>Closing balance Amount</b>	<b>Opening balance Amount</b>
(inclusive)		
Over 3 years but within 4 years (inclusive)	340,000.87	339,877.50
<u>Total</u>	<u>449,231,808.79</u>	<u>195,853,184.67</u>

2) In portfolio, Receivables with provision for bad debts at expected credit loss rate

<b>Overdue days</b>	<b>Closing balance Amount</b>	<b>Bad debt provision</b>	<b>Proportion (%)</b>
Not overdue	367,068,800.62	3,670,688.01	1.00
Less than 30 days overdue (inclusive)	53,779,338.34	2,688,966.92	5.00
Less than 31-90 days overdue (inclusive)	14,995,373.24	1,499,537.32	10.00
Less than 91-365 days overdue (inclusive)	106,398.51	21,279.70	20.00
1-2 years overdue (inclusive)			
More than 2 years overdue	340,000.87	340,000.87	100.00
<u>Total</u>	<u>436,289,911.58</u>	<u>8,220,472.82</u>	

Continued:

<b>Overdue days</b>	<b>Opening balance Amount</b>	<b>Bad debt provision</b>	<b>Proportion (%)</b>
Not overdue	181,798,407.23	1,364,885.89	1.00
Less than 30 days overdue (inclusive)	9,032,334.14	451,616.71	5.00
Less than 31-90 days overdue (inclusive)	4,682,565.80	468,256.58	10.00
Less than 91-365 days overdue (inclusive)			20.00
1-2 years overdue (inclusive)			50.00

Overdue days	Opening balance		
	Amount	Bad debt provision	Proportion (%)
More than 2 years overdue	339,877.50	339,877.50	100.00
<u>Total</u>	<u>195,853,184.67</u>	<u>2,624,636.68</u>	

3) Five largest accounts receivable by debtor at the end of the year

Name of the entities	Relationship with the Company	Nature	Amount	Bad debt provision	Aging
JCET Group Co., Ltd.	Third party	Sales of goods	78,450,234.32	1,680,441.83	within 1 year (inclusive)
Vanchip (Tianjin) Technology Co., Ltd.	Third party	Sales of goods	60,313,713.72	603,137.14	within 1 year (inclusive)
Lansus Technologies Inc.	Third party	Sales of goods	40,612,693.26	406,126.93	within 1 year (inclusive)
Stats Chippac Semiconductor Jiangyin Co., Ltd.	Third party	Sales of goods	30,315,562.00	1,111,910.61	within 1 year (inclusive)
Maxscend Microelectronics Company Limited	Third party	Sales of goods	27,711,524.20	277,115.24	within 1 year (inclusive)
<u>Total</u>			<u>237,403,727.50</u>	<u>4,078,731.75</u>	

## 2. Other Receivables

Item	Closing balance	Opening balance
Other receivables	13,701,579.30	10,811,024.83
<u>Total</u>	<u>13,701,579.30</u>	<u>10,811,024.83</u>

### 2.1 Disclosure of other receivables by categories

Categories	Closing balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and				



Categories	Closing balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
assessed individually for impairment				
Receivables with provision for bad debts at expected credit loss rate	<u>209,978.74</u>	<u>1.53</u>	<u>10,498.94</u>	<u>5.00</u>
Including: expected credit loss portfolio	209,978.74	1.53	10,498.94	5.00
Combination of related parties, deposits, margins and reserves within the scope of consolidation	13,502,099.5	98.47		
Total combination	<u>13,712,078.24</u>	<u>100.00</u>	<u>10,498.94</u>	
Individually insignificant but assessed individually for impairment				
Total	<u>13,712,078.24</u>	<u>100.00</u>	<u>10,498.94</u>	

Continued:

Categories	Opening balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed individually for impairment				
Receivables with provision for bad debts at expected credit loss rate	<u>965,369.72</u>	<u>8.83</u>	<u>123,682.10</u>	<u>12.81</u>
Including: expected credit loss portfolio	965,369.72	8.83	123,682.10	12.81

Categories	Opening balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Combination of related parties, deposits, margins and reserves within the scope of consolidation	9,969,337.21	91.17		
Total combination	<u>10,934,706.93</u>	<u>100.00</u>	<u>123,682.10</u>	
Individually insignificant but assessed individually for impairment				
Total	<u>10,934,706.93</u>	<u>100.00</u>	<u>123,682.10</u>	

2.2 The aging analysis of other receivables is as follows

Item	Closing balance		
	Amount	Bad debt provision	Proportion (%)
Security Deposit	13,502,099.5		
Others	209,978.74	10,498.94	5
Total	<u>13,712,078.24</u>	<u>10,498.94</u>	

2.3 Five largest balances of other receivables at the end of the year

Companies name	Nature of money	Amount	Aging	Proportion (%)	Bad debt provision
Nantong ACCESS semiconductor Co., Ltd	Others	6,972,146.42	Within 1 year (inclusive)	50.84	
Zhuhai YUEXIN Semiconductor Co., Ltd.	Others	6,450,323.83	Within 1 year (inclusive)	47.04	
Zhuhai Founder HDI PCB Co., Ltd.	Others	209,978.74	Within 1 year (inclusive)	1.53	10,498.94
ACCESS Substrates HK Limited	Others	73,589.25	Within 1 year (inclusive)	0.54	
Guangdong United electronic toll Co., Ltd	Others	6,000.00	Within 1 year (inclusive)	0.04	

Companies name	Nature of money	Amount	Aging	Proportion (%)	Bad debt provision
Total		<u>13,712,038.24</u>		<u>99.99</u>	<u>10,498.94</u>

### 3. Long-term equity investments

Name of Companies	Opening accounts	Changes in the period	
		Increase	decrease
Hong Kong Access	12,961,310.35		
Nantong ACCESS semiconductor Co., Ltd	715,000,000.00	200,000,000.00	
Zhuhai YUEXIN Semiconductor Co., Ltd.	868,184,845.00	31,815,155.00	
<u>Total</u>	<u>1,596,146,155.35</u>	<u>231,815,155.00</u>	

Continued:

Equity gains and losses recognized under the equity method	Changes in the period		
	Other comprehensive income adjustment	Other changes	Cash bonus
Hong Kong Access			
Nantong ACCESS semiconductor Co., Ltd			
Zhuhai YUEXIN Semiconductor Co., Ltd.			
<u>Total</u>			

Continued:

Impairment provision in the period	Changes in the period		Impairment provision
	others	Closing balance	
Hong Kong Access		12,961,310.35	
Nantong ACCESS semiconductor Co., Ltd		915,000,000.00	

<b>Changes in the period</b>			
<b>Impairment provision in the</b>	<b>others</b>	<b>Closing balance</b>	<b>Impairment</b>
<b>period</b>			<b>provision</b>
Zhuhai YUEXIN		900,000,000.00	
Semiconductor Co., Ltd.			
<u>Total</u>		<u>1,827,961,310.35</u>	

#### 4. Operating income and operating costs

<b>Item</b>	<b>Amount in current period</b>		<b>Amount in current period</b>	
	<b>Operating income</b>	<b>Operating costs</b>	<b>Operating income</b>	<b>Operating costs</b>
Principal operation	1,459,477,340.85	1,077,586,779.22	1,411,344,880.10	972,244,775.36
Other business	72,718,592.44	61,364,146.09	46,594,370.86	40,738,009.90
<u>Total</u>	<u>1,532,195,933.29</u>	<u>1,138,950,925.31</u>	<u>1,457,939,250.96</u>	<u>1,012,982,785.26</u>

Zhuhai ACCESS Semiconductor Co., Ltd

1 March 2024