RSM 容诚

Auditor's Report

Neway Valve (Suzhou) Company Limited

RSMSZ[2024]NO.2100001

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

RSM CHINA CPA LLP

CHINA·NANJING

Contents

		Page
1	Auditor's report	1 - 4
2	Statement of Financial Position	1
3	Statement of Profit or Loss and Other Comprehensive Income	2
4	Statement of Cash Flows	3
5	Statement of Changes in Owners' Equity	4 - 5
6	Notes to the Financial Statements	6 - 82

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

RSM 容诚

容诚会计师事务所（特殊普通合伙）南京分所
南京市建邺区贤坤路 3 号 1 幢
3 层 A 单元（210019）
TEL:025-87768699

Auditor's Report

RSMSZ[2024]NO.2100001

To the Shareholders of Neway Valve (Suzhou) Company Limited,

Opinion

We have audited the financial statements of Neway Valve (Suzhou) Company Limited. (hereafter referred to as "the Company"), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and the notes to the financial statements.

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

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

Basis for Opinion

We conducted our audit in accordance with Chinese 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, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter-Basis of Preparation

Users of the financial statements are reminded to Note II to the financial statements' notes as to the basis of preparation. The contents of this paragraph do not affect the audit opinion issued.

Responsibilities of Management and Those Charged with Governance for the

Financial Statements

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

In preparing the financial statements, management is responsible for assessing 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 intends 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.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Auditor's Responsibilities for the Audit of the Financial Statements

Our Objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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:

i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

iv) 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 the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

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

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.

This page is intentionally left blank and is only for stamp of Neway Valve (Suzhou) Company Limited auditor's report for the year ended 31 December 2023 (Audit No. [2024]210F0481).

BDO China CPA LLP

China·Nanjing

26 April, 2024

Statement of Financial Position
31 December 2023

Prepared by: Neway Valve (Suzhou) Company Limited

Unit: Dollar Currency: USD

Assets	Note	2023-12-31	2022-12-31	Liabilities and owners' equity	Note	2023-12-31	2022-12-31
Current assets:				**Current liabilities**			
Cash and cash equivalents	5.1	136,409,380.23	80,697,546.06	Short-term borrowings	5.17	88,423,093.59	96,689,595.65
Financial assets held-for-trading	5.2	25,459,324.09	-	Financial liabilities held-for-trading		-	-
Derivative financial assets		-	-	Derivative financial liabilities		-	-
Notes receivable	5.3	11,724,722.39	22,049,708.80	Notes payable	5.18	109,912,629.56	72,689,552.93
Accounts receivable	5.4	244,778,009.35	229,758,729.48	Accounts payable	5.19	169,836,480.11	165,366,173.48
Accounts receivable financing	5.5	7,474,652.35	4,520,045.65	Advances from customers		-	-
Advances to suppliers	5.6	4,941,979.50	4,690,550.51	Contract liabilities	5.20	23,199,734.68	28,485,545.99
Other receivables	5.7	58,202,358.46	41,694,027.56	Employee benefits payable	5.21	11,113,244.71	9,230,560.92
Including: Interests receivable		-	-	Taxes payable	5.22	4,146,538.18	4,550,428.52
Dividend receivable		-	-	Other payables	5.23	63,389,835.84	30,157,768.79
Inventories	5.8	221,780,330.37	205,874,673.16	Including: Interests payables		-	-
Contract assets	5.9	19,139,045.33	17,016,062.86	Dividend payables		-	-
Assets classified as held for sale		-	-	Liabilities classified as held for sale		-	-
Non-current assets maturing within one year		-	-	Non-current liabilities maturing within one year	5.24	70,361,898.24	43,105,251.32
Other current assets	5.10	4,043,656.86	264,750.49	Other current liabilities	5.25	12,784,726.62	25,103,804.57
Total current assets		**733,953,458.93**	**606,566,094.57**	**Total current liabilities**		**553,168,181.53**	**475,378,682.17**
Non-current assets:				**Non-current liabilities:**			
Debt investments		-	-	Long-term borrowings		-	-
Other debt investments		-	-	Bonds payable		-	-
Long-term receivables		-	-	Including: Preference share		-	-
Long-term equity investments	5.11	254,821,591.62	253,227,397.15	Perpetual debt		-	-
Other equity instrument investment		-	-	Lease liabilities		-	-
Other non-current financial assets		-	-	Long-term payables		-	-
Investment properties		-	-	Long-term employee benefits payable		-	-
Fixed assets	5.12	53,690,941.83	45,115,005.13	Estimated liabilities		-	-
Construction in progress	5.13	432,763.12	129,855.81	Deferred income	5.26	1,736,331.72	1,979,283.33
Productive biological assets		-	-	Deferred tax liabilities		-	-
Oil and gas assets		-	-	Other non-current liabilities		-	-
Right-of-use assets		-	-	**Total non-current liabilities**		**1,736,331.72**	**1,979,283.33**
Intangible assets	5.14	5,723,682.79	6,019,914.00	**Total liabilities**		**554,904,513.25**	**477,357,965.50**
Development costs		-	-	**Owners' equity**			
Goodwill		-	-	Share capital	5.27	112,669,422.43	111,091,837.44
Long-term deferred expenses		-	-	Other equity instruments		-	-
Deferred tax assets	5.15	11,815,606.80	10,745,484.00	Including: Preference shares		-	-
Other non-current assets	5.16	1,570,043.61	2,784,941.13	Perpetual debt		-	-
Total non-current assets		**328,054,629.77**	**318,022,597.22**	Capital reserves	5.28	139,109,057.04	125,028,675.17
				Less: Treasury stock	5.29	11,563,700.07	-
				Other comprehensive income	5.30	-24,104,585.15	-20,037,166.42
				Special reserves	5.31	544,076.53	304,291.57
				Surplus reserves	5.32	57,738,517.21	57,738,517.21
				Retained earnings	5.33	232,710,787.46	172,504,571.33
				Total owners' equity		**507,103,575.45**	**447,230,726.29**
Total assets		**1,062,008,088.70**	**924,588,691.79**	**Total liabilities and owners' equity**		**1,062,008,088.70**	**924,588,691.79**

Legal Representative: 鲁锋 印良

Chief Financial Officer: 凌菁 菁凌 印蕾

Finance Manager: 高华 高华 印

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

Prepared by : Neway Valve (Suzhou) Company Limited

Unit: Dollar Currency: USD

Item	Note	2023	2022
I. Revenue	5.34	**649,281,481.66**	**504,600,179.44**
Less: Costs of sales	5.34	464,177,085.22	363,580,071.84
Taxes and surcharges	5.35	3,296,473.90	2,971,383.15
Selling and distribution expenses	5.36	36,939,445.99	35,051,309.83
General and Administrative Expenses	5.37	12,545,503.87	10,508,912.11
Research and development expenses	5.38	20,784,334.24	21,656,170.97
Finance costs	5.39	-5,805,007.40	-10,643,879.70
Including: Interest expense		4,369,403.88	2,702,534.88
Interest income		5,931,989.53	2,076,807.58
Add: Other income	5.40	3,696,965.29	1,172,786.69
Investment losses	5.41	-11,045,491.21	-152,363.98
Including: Investment income from associates and joint ventures		-	-
Gains /(losses) from derecognition of financial assets measured at amortised cost		-	-
Income /(losses) from net exposure hedging		-	-
Gains from changes in fair values	5.42	335,729.32	-
Credit impairment losses	5.43	-5,231,047.37	-2,570,948.89
Asset impairment gains /(losses)	5.44	2,530,541.67	-4,444,939.38
Gains/(losses) from disposal of assets	5.45	-45,625.13	103,510.71
II. Profit/(loss) from operations		**107,584,718.41**	**75,584,236.39**
Add: Non-operating income	5.46	3,369,162.70	269,200.74
Less: Non-operating expenses	5.47	23,988.20	112,681.79
III. Profit/(loss) before tax		**110,929,892.91**	**75,740,755.34**
Less: Income tax expenses	5.48	12,650,297.98	9,678,407.27
IV. Net profit/(loss) for the year		**98,279,594.93**	**66,062,348.07**
Net profit/(loss) from continuing operation		98,279,594.93	66,062,348.07
Net profit/(loss) from discontinued operation			
V. Other comprehensive income for the year, after tax		**-4,067,418.73**	**-17,433,312.88**
(i) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
(ii) Other comprehensive income to be reclassified subsequently to profit or loss		-4,067,418.73	-17,433,312.88
1. Exchange differences on translating foreign operations		-4,067,418.73	-17,433,312.88
VII. Total comprehensive income for the year		**94,212,176.20**	**48,629,035.19**

Legal Representative: 鲁锋良印

Chief Financial Officer: 凌菁蕾印

Finance Manager: 高华印

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Statement of Cash Flows
For the year ended 31 December 2023

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Prepared by : Newav Valve (Suzhou) Company Limited

Unit: Dollar Currency: USD

Items	Note	2023	2022
I. Cash flows from operating activities			
Cash received from the sale of goods and the rendering of services		592,240,832.27	482,091,104.52
Cash received from tax refund		25,940,911.43	15,061,816.05
Other cash received relating to operating activities		34,038,325.77	29,582,567.98
Subtotal of cash inflows from operating activities		652,220,069.47	526,735,488.55
Cash payments for goods purchased and services received		411,672,909.69	344,156,652.99
Cash payments to and on behalf of employees		60,870,404.47	60,878,401.41
Payments for taxes		23,165,966.92	16,769,432.43
Other cash payments relating to operating activities		58,912,129.41	34,356,223.02
Subtotal of cash outflows from operating activities		554,621,410.49	456,160,709.85
Net cash flows from operating activities		**97,598,658.98**	**70,574,778.70**
II. Cash flows from investing activities			
Cash received from disposal and redemption of investments		40,833,179.09	79,008,125.69
Cash received from returns on investments		1,885,717.26	3,610,950.70
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		174,918.26	274,256.43
Net cash received from disposals of subsidiaries and other business units		-	-
Other cash received relating to investing activities		-	-
Subtotal of cash inflows from investing activities		42,893,814.61	82,893,332.82
Cash payments to acquire fixed, intangible and other long-term assets		8,336,119.67	7,406,371.00
Cash payments to acquire investments		66,745,447.56	82,533,897.03
Net cash payments to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		6,192,605.04	-
Subtotal of cash outflows from investing activities		81,274,172.27	89,940,268.03
Net cash flows from investing activities		**-38,380,357.66**	**-7,046,935.21**
III. Cash flows from financing activities			
Cash received from capital contributions		-	-
Cash received from borrowings		167,723,991.63	158,240,429.07
Other cash received relating to financing activities		27,546,381.90	1,724,086.23
Subtotal of cash inflows from financing activities		195,270,373.53	159,964,515.30
Cash repayments of debts		138,774,791.06	133,309,991.45
Cash payments for dividends, distribution of profit and interest expenses		42,626,819.02	30,414,269.21
Other cash payments relating to financing activities		13,269,359.45	23,462,564.84
Subtotal of cash outflows from financing activities		194,670,969.53	187,186,825.50
Net cash flows from financing activities		**599,404.00**	**-27,222,310.20**
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**-4,104,800.68**	**-2,319,875.16**
V. Net increase / (decrease) in cash and cash equivalents		**55,712,904.64**	**33,985,658.13**
Plus: Cash and cash equivalents at the beginning of the period		80,696,473.46	46,710,815.33
VI. Cash and cash equivalents at the end of the period		**136,409,378.10**	**80,696,473.46**

Legal Representative: 鲁锋印良

Chief Financial Officer: 凌菁蕾印

Finance Manager: 高华印

Statement of Changes in Owners' Equity
For the year ended 31 December 2023

Prepared by： Neway Valve (Suzhou) Company Limited　　Unit：Dollar　Currency: USD

Item	2023							
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
I. Balance at 31 December 2022	**111,091,837.43**	**125,628,675.17**	**-**	**-20,037,166.42**	**304,291.57**	**57,738,517.21**	**172,504,571.33**	**447,230,726.29**
Add：Changes in accounting policies								-
Correction of prior period errors								-
Others								-
II. Balance at 1 January 2023	**111,091,837.43**	**125,628,675.17**	**-**	**-20,037,166.42**	**304,291.57**	**57,738,517.21**	**172,504,571.33**	**447,230,726.29**
III. Changes in equity during the reporting period	**1,577,585.00**	**13,480,381.87**	**11,563,700.07**	**-4,067,418.73**	**239,784.96**	**-**	**60,206,216.13**	**59,872,849.16**
(i) Total comprehensive income				-4,067,418.73			98,279,594.93	94,212,176.20
(ii) Capital contributions or withdrawals by owners	1,577,585.00	13,433,151.96	11,563,700.07	-	-	-	-	3,447,036.89
1. Ordinary shares contributed by shareholders	1,577,585.00	9,986,115.07	11,563,700.07					-
2. Capital contributed by holders of other equity instruments								-
3. Share-based payments recognised in owners' equity		3,447,036.89						3,447,036.89
4. Others								-
(iii) Profit distribution	-	-	-	-	-	-	-38,073,378.80	-38,073,378.80
1. Transfer to surplus reserves							-	-
2. Profit distribution to owners (or shareholders)							-38,073,378.80	-38,073,378.80
3. Others								
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	
1. Capital reserves converted to share capital								
2. Surplus reserves converted to share capital								
3. Loss made up by surplus reserves								-
4. Changes in the defined benefit plan transferred to retained earnings								
5. Other comprehensive income transferred to retained earnings								
6. Others								
(v) Special reserves	-	-	-	-	239,784.96	-	-	239,784.96
1. Withdrawal during the reporting period					850,802.87			850,802.87
2. Usage during the reporting period					611,017.91			611,017.91
(vi) Others		47,229.91						47,229.91
IV. Balance at 31 December 2023	**112,669,422.43**	**139,109,057.04**	**11,563,700.07**	**-24,104,585.15**	**544,076.53**	**57,738,517.21**	**232,710,787.46**	**507,103,975.45**

Legal Representative:　　Chief Financial Officer：　　Finance Manager：

Statement of Changes in Owners' Equity
For the year ended 31 December 2023

Prepared by: Neway Valve (Suzhou) Company Limited Unit: Dollar Currency: USD

Item	2022							
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
I. Balance at 31 December 2021	**111,091,837.43**	**134,419,648.75**	-	**-2,603,853.54**	**306,495.05**	**57,738,517.21**	**133,330,414.97**	**434,283,059.87**
Add: Changes in accounting policies								-
Correction of prior period errors								-
Others								-
II. Balance at 1 January 2022	**111,091,837.43**	**134,419,648.75**	-	**-2,603,853.54**	**306,495.05**	**57,738,517.21**	**133,330,414.97**	**434,283,059.87**
III. Changes in equity during the reporting period	**-**	**-8,790,973.58**	-	**-17,433,312.88**	**-2,203.48**	**-**	**39,174,156.36**	**12,947,666.42**
(i) Total comprehensive income				-17,433,312.88			66,062,348.07	48,629,035.19
(ii) Capital contributions or withdrawals by owners	-	1,155,057.50	-	-	-	-	-	1,155,057.50
1. Ordinary shares contributed by shareholders								-
2. Capital contributed by holders of other equity instruments								-
3. Share-based payments recognised in owners' equity		1,155,057.50						1,155,057.50
4. Others								-
(iii) Profit distribution	-	-	-	-	-	-	-26,888,191.71	-26,888,191.71
1. Transfer to surplus reserves							-	
2. Profit distribution to owners (or shareholders)							-26,888,191.71	-26,888,191.71
3. Others								-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-
1. Capital reserves converted to share capital								-
2. Surplus reserves converted to share capital								-
3. Loss made up by surplus reserves								-
4. Defined benefit plan transferred to retained earnings								-
5. Other comprehensive income transferred to retained earnings								-
6. Others								-
(v) Special reserves	-	-	-	-	-2,203.48	-	-	-2,203.48
1. Withdrawal during the reporting period					900,320.83			900,320.83
2. Usage during the reporting period					902,524.31			902,524.31
(vi) Others		-9,946,031.08						-9,946,031.08
IV. Balance at 31 December 2022	**111,091,837.43**	**125,628,675.17**	-	**-20,037,166.42**	**304,291.57**	**57,738,517.21**	**172,504,571.33**	**447,230,726.29**

Legal Representative: Chief Financial Officer: Finance Manager:

Neway Valve (Suzhou) Company Limited
Notes to the Financial Statements
For the year ended 31 December 2023
（All amounts are expressed in United States Dollars("USD")unless otherwise stated）

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

Neway Valve (Suzhou) Company Limited ("the Company") was founded on November 14, 2002. The Unified Social Credit Code of the Company's business license is No. 91320500743905732G. Its scope of business: Design and manufacturing industrial valves (including petroleum, chemical and gas in low power pneumatic valve) and pipeline control facilities, sales produced products and provides relevant after-sale service, the processing of valve series products and parts.

The China Securities Regulatory Commission approved the Company's initial public offering of new shares, no more than 50,000,000 shares, and public offering of existing shares, no more than 70,000,000 shares, by the document No. [2014]1653 CSRC approve, on Approval of Neway Valve (Suzhou) Company Limited's initial public offering, on December 30, 2013. The Company has issued 50,000,000 shares, and Neway Group Co., Ltd, World Time (H.K) Limited, and Dafeng Daton Machinery Co., Ltd, which are the original shareholders of the Company, have sold 21,574,000 shares, 10,626,000 shares, 300,000 shares respectively in a public offering, total of 32,500,000 shares by the end of January 14, 2014. The above issued common stock, total of 82,500,000 shares, listed at Shanghai Stock Exchange on January 17, 2014.

The company held the twentieth meeting of the fourth Board of Directors on August 27, 2021, and held the second extraordinary general meeting of shareholders in 2021 on September 17, 2021. 938,000 shares were cancelled. As of December 31, 2021, the total number of shares of the company will be changed from 750 million shares to 749.062 million shares, and the registered capital of the company will be correspondingly changed from RMB 750 million to RMB 749.062 million.

The company held the fifth meeting of the fifth Board of Directors and the seventh meeting of the fifth Supervisory Board on September 28, 2023. They deliberated and approved the proposal "Regarding the Initial Grant of Restricted Stocks to Participants of the 2023 Restricted Stock Incentive Plan" granting 116 employees 11,326,587 restricted stocks at a price of RMB 7.33 per share. As of December 31, 2023, the total number of company shares increased from 749.062 million to 760.389 million shares. The registered capital of the company remains unchanged at RMB 749.062 million.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the

Company prepares its financial statements, excluding consolidated financial statements, in accordance with the Accounting Standards for Business Enterprises – Basic standards and concrete accounting standards (excluding Accounting Standard for Business Enterprises No. 33 - Consolidated Financial Statements), Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as "Accounting Standards for Business Enterprises, issued by Ministry of Finance of PRC").

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

2.2 Going Concern

The Company has assessed its ability to continually operate for the next twelve months from the end of the reporting period, and no any matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Businesses not mentioned are complied with relevant accounting policies of the Accounting Standards for Business Enterprises.

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises as Described in Note 2

Except for the exclusion of consolidated financial statements, the Company prepares its financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises, truly and completely reflecting the Company's financial position as at 31 December 2023, and its operating results, changes in shareholders' equity, cash flows and other related information for the year then ended.

3.2 Accounting Period

The accounting year of the Company is from 1 January to 31 December in calendar year.

3.3 Operating Cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional Currency

The Company takes Renminbi Yuan ("RMB") as the functional currency.

The Company's overseas subsidiaries choose the currency of the primary economic environment in which the subsidiaries operate as the functional currency.

The financial statements of the Company have been prepared in USD.

3.5 Cash and Cash Equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.6 Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(a) Determination of the exchange rate for foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the functional currency at the spot exchange rate of the transaction date, or at an exchange rate which is determined through a systematic and reasonable method and is approximate to the spot exchange rate of the transaction date (hereinafter referred to as the approximate exchange rate).

(b) Translation of monetary items denominated in foreign currency on the balance sheet date

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date; for the foreign currency non-monetary items restated to a fair value measurement, shall be translated into the at the spot exchange rate at the date when the fair value was determined, the difference between the restated functional currency amount and the original functional currency amount shall be recorded into the profits and losses at the current period.

(c) Translation of foreign currency financial statements

Before translating the financial statements of foreign operations, the accounting period and accounting policy shall be adjusted so as to conform to the Company. The adjusted foreign operation financial statements denominated in foreign currency (other than functional currency) shall be translated in accordance with the following method:

(i) The asset and liability items in the statement of financial position shall be translated at the spot exchange rates at the date of that statement of financial position. The owners' equity items except undistributed profit shall be translated at the spot exchange rates when they are incurred.

(ii) The income and expense items in the statement of profit and other comprehensive income shall be translated at the spot exchange rates or approximate exchange rate at the date of transaction.

(iii) Foreign currency cash flows and cash flows of foreign subsidiaries shall be translated at the spot exchange rate or approximate exchange rate when the cash flows are incurred. The effect of exchange rate changes on cash is presented separately in the

statement of cash flows as an adjustment item.

(iv) The differences arising from the translation of foreign currency financial statements shall be presented separately as "other comprehensive income" under the owners' equity items of the consolidated statement of financial position.

When disposing a foreign operation involving loss of control, the cumulative amount of the exchange differences relating to that foreign operation recognised under other comprehensive income in the statement of financial position shall be reclassified into current profit or loss according to the proportion disposed.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

3.7 Financial Instruments

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Recognition and derecognition of financial instrument

A financial asset or a financial liability should be recognised in the statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognised when meets one of the following conditions:

(i) The rights to the contractual cash flows from a financial asset expire

(ii) The financial asset has been transferred and meets one of the following derecognition conditions:

Financial liabilities (or part thereof) are derecognised only when the liability is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange of the Company (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Purchase or sale of financial assets in a regular-way shall be recognised and derecognised using trade date accounting. A regular-way purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the market place concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

(b) Classification and measurement of financial assets

At initial recognition, the Company classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortised cost, financial asset at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVTOCI). Reclassification of financial assets is permitted if, and only if, the objective of the entity's business model for managing those financial

assets changes. In this circumstance, all affected financial assets shall be reclassified on the first day of the first reporting period after the changes in business model; otherwise the financial assets cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at FVTPL, transaction costs are recognised in current profit or loss. For financial assets not measured at FVTPL, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Subsequent measurement of financial assets will be based on their categories:

(i) Financial asset at amortised cost

The financial asset at amortised cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortised cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortization under effective interest rate method or impairment are recognised in current profit or loss.

(ii) Financial asset at fair value through other comprehensive income (FVTOCI)

The financial asset at FVTOCI category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principle and interest on the principal amount outstanding. All changes in fair value are recognised in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognised in current profit or loss. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The Company make an irrevocable decision to designate part of non-trading equity instrument investments as measured through FVTOCI. All changes in fair value are recognised in other comprehensive income except for dividend income recognised in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

(iii) Financial asset at fair value through profit or loss (FVTPL)

Financial asset except for above mentioned financial asset at amortised cost or financial

asset at fair value through other comprehensive income (FVTOCI), should be classified as financial asset at fair value through profit or loss (FVTPL). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

(c) Classification and measurement of financial liabilities

The Company classified the financial liabilities as financial liabilities at fair value through profit or loss (FVTPL), loan commitments at a below-market interest rate and financial guarantee contracts and financial asset at amortised cost.

Subsequent measurement of financial assets will be based on the classification:

(i) Financial liabilities at fair value through profit or loss (FVTPL)

Held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTP. After initial recognition, any gain or loss (including interest expense) are recognised in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to retained earnings.

(ii) Loan commitments and financial guarantee contracts

Loan commitment is a commitment by the Company to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments shall be recognised based on expected credit losses model.

Financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts liability shall be subsequently measured at the higher of: The amount of the loss allowance recognised according to the impairment principles of financial instruments; and the amount initially recognised less the cumulative amount of income recognised in accordance with the revenue principles.

(iii) Financial liabilities at amortised cost

After initial recognition, the Company measured other financial liabilities at amortised cost using the effective interest method.

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

(i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meet the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and

合肥云计师事务所(特殊普通合伙)南京分所 审核专用章

conditions.

(ii) If a financial instrument must or may be settled in the Company's own equity instruments, it should be considered that the Company's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the Company's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity's own equity instruments (such as interest rate, price of some kind of goods or some kind of financial instrument).

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(d) Derivatives and embedded derivatives

At initial recognition, derivatives shall be measured at fair value at the date of derivative contracts are signed and subsequently measured at fair value. The derivative with a positive fair value shall be recognized as an asset, and with a negative fair value shall be recognised as a liability.

Gains or losses arising from the changes in fair value of derivatives shall be recognised directly into current profit or loss except for the effective portion of cash flow hedges which shall be recognised in other comprehensive income and reclassified into current profit or loss when the hedged items affect profit or loss.

An embedded derivative is a component of a hybrid contract with a financial asset as a host, the Company shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the Company is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

(e) Impairment of financial instrument

The Company shall recognise a loss allowance based on expected credit losses on a financial asset that is measured at amortised cost, a debt investment at fair value through other comprehensive income, a contract asset, a lease receivable, a loan commitment and a financial guarantee contract.

(i) Measurement of expected credit losses

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime, if the expected life of a financial instrument is less than 12 months).

审核专用章

At each reporting date, the Company classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage 1. The Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired is at stage 2. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit-impaired as at the end of the reporting period is at stage 3. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instrument at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset (ie, impairment loss not been deducted). For financial instrument at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortised cost after deducting of impairment loss.

For notes receivable, accounts receivable and accounts receivable financing, no matter it contains a significant financing component or not, the Company shall measure the loss allowance at an amount equal to the lifetime expected credit losses.

Receivables/Contract assets

For the notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables which are demonstrated to be impaired by any

objective evidence, or applicable for individual assessment, the Company shall individually assess for impairment and recognise the loss allowance for expected credit losses. If the Company determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables shall be divided into several groups with similar credit risk characteristics and collectively calculated the expected credit loss. The determination basis of groups is as following:

Determination basis of notes receivable is as following:

Group 1: Commercial acceptance bills

Group 2: Bank acceptance bills

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

For each group, the Company calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable is as following:

Group 1: Accounts receivables due from state-owned enterprises

Group 2: Accounts receivables due from overseas customers

For each group, the Company calculates expected credit losses through preparing an aging analysis schedule with the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of other receivables is as following:

Group 1: Risk-free receivables, i.e. receivables from related parties for which there is no evidence of uncollectability, deposits within the agreed guarantee period, standby funds for active employees and receivables for which secured pledges or similar guarantees have been obtained

Group 2: Receivables other than those of Group 1

For each group, the Company calculates expected credit losses through default exposure and the 12-months or lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable financing is as following:

Group 1: Bank acceptance bills

For each group, the Company calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the

future economic situation.

Determination basis of contract assets is as following:

Group 1: Undue warranty

For each group, the Company calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Debt investment and other debt investment

For debt investment and other debt investment, the Company shall calculate the expected credit loss through the default exposure and the 12-month or lifetime expected credit loss rate based on the nature of the investment, counterparty and the type of risk exposure.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(ii) Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

(iii) Significant increase in credit risk

The Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the Company shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information considered by the Company are as following:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception

- Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;

- An actual or expected significant change in the operating results of the borrower; An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;

- Significant changes in the value of the collateral supporting the obligation or

in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise influence the probability of a default occurring;

- Significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- Significant changes in the expected performance and behavior of the borrower;
- Contractual payments are more than 30 days past due.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Depending on the nature of the financial instruments, the Company shall assess whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the Company can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the Company shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can only rebut this presumption if the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

(iv) Credit-impaired financial asset

The Company shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortised cost and debt investment at fair value through other comprehensive income. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

Significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(v) Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the Company shall at each reporting date remeasure the expected credit loss and recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses addition (or reversal). For financial asset at amortised cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(vi) Write-off

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of the financial asset. This circumstance usually occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognised in profit or loss as reversal of impairment loss.

(f) Transfer of financial assets

Transfer of financial assets refers to following two situations:

- Transfers the contractual rights to receive the cash flows of the financial asset;
- Transfers the entire or a part of a financial asset and retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

(i) Derecognition of transferred assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognised.

Whether the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company has not retained control.

The Company judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognised in profit or loss:

- The carrying amount of transferred financial asset;

- The sum of consideration received and the part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of *the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments*).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognised (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognised) and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be recognised in profit or loss:

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

- The carrying amount (measured at the date of derecognition) allocated to the part derecognised;

- The sum of the consideration received for the part derecognised and part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the *Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments*).

(ii) Continuing involvement in transferred assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company shall continue to recognise the transferred asset to the extent of its continuing involvement and also recognise an associated liability.

The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset

(iii) Continue to recognise the transferred assets

If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company shall continue to recognise the transferred asset in its entirety and the consideration received shall be recognised as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the Company shall continuously recognise any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

(g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset. When meets the following conditions, financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position:

The Company currently has a legally enforceable right to set off the recognised amounts; The Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(h) Determination of fair value of financial instruments

Determination of fair value of financial assets and financial liabilities please refer to Note 3.8.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

3.8 Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market is the market in which transactions for an asset or liability take place with the greatest volume and frequency. The most advantageous market is the market which maximizes the value that could be received from selling the asset and minimizes the value which is needed to be paid in order to transfer a liability, considering the effect of transport costs and transaction costs both.

If the active market of the financial asset or financial liability exists, the Company shall measure the fair value using the quoted price in the active market. If the active market of the financial instrument is not available, the Company shall measure the fair value using valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

- Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, including the market approach, the income approach and the cost approach. The Company shall use valuation techniques consistent with one or more of those approaches to measure fair value. If

multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

When using the valuation technique, the Company shall give the priority to relevant observable inputs. The unobservable inputs can only be used when relevant observable inputs is not available or practically would not be obtained. Observable inputs refer to the information which is available from market and reflects the assumptions that market participants would use when pricing the asset or liability. Unobservable Inputs refer to the information which is not available from market and it has to be developed using the best information available in the circumstances from the assumptions that market participants would use when pricing the asset or liability.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

- Fair value hierarchy

To Company establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs and second to the Level 2 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

3.9 Inventories

(a) Classification of inventories

Inventories are finished goods or products held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services, including raw materials, work in progress, finished goods, goods in stock, turnover material, etc.

(b) Measurement method of cost of inventories sold or used

When the inventory is issued, the cost will be calculated at the planned cost method. The cost difference will be apportioned at the end of the month, and the planned cost will be adjusted to the actual cost.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus or losses of inventory stocktaking shall be included in current profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognised as provision for impairment of inventory, and recognised in current profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and impact of post balance sheet event shall be considered.

(i) In normal operation process, finished goods, products and materials for direct sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices. Net realizable value of materials held for sale shall be measured based on market price.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(ii) For materials in stock need to be processed, in the ordinary course of production and business, net realisable value is determined at the estimated selling price less the estimated costs of completion, the estimated selling expenses and relevant taxes. If the net realisable value of the finished products produced by such materials is higher than the cost, the materials shall be measured at cost; if a decline in the price of materials indicates that the cost of the finished products exceeds its net realisable value, the materials are measured at net realisable value and differences shall be recognised at the provision for impairment.

(iii) Provisions for inventory impairment are generally determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.

(iv) If any factor rendering write-downs of the inventories has been eliminated at the reporting date, the amounts written down are recovered and reversed to the extent of the inventory impairment, which has been provided for. The reversal shall be included in profit or loss.

(e) Amortisation method of low-value consumables

Package material: One-off writing off method is adopted.

3.10 Contract Assets and Contract Liabilities

The Company shall present contract assets or contract liabilities in the statement of financial position, depending on the relationship between the Company's satisfying a performance obligation and the customer's payment. A contract asset shall be presented if the Company has the right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. A contract liability shall be presented if the Company has the obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer.

Method of determination and accounting for expected credit loss for contract assets please refer to Note 3.7.

Contract assets and contract liabilities shall be presented separately in the statement of financial position. The contract asset and contract liability for the same contract shall be presented on a net basis. A net balance shall be listed in the item of "Contract assets" or "Other non-current assets" according to its liquidity; a credit balance shall be listed in the item of "Contract liabilities" or "Other non-current liabilities" according to its liquidity. Contract assets and contract liabilities for different contracts cannot be offset.

3.11 Contract costs

Contract costs include costs to fulfill a contract and the costs to obtain a contract.

The Company shall recognise an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract, including: direct labour, direct materials, manufacturing costs (or similar costs), costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because an entity entered into the contract;

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(ii) the costs enhance resources of the Company that will be used in satisfying performance obligations in the future; and

(iii) the costs are expected to be recovered.

The incremental costs of obtaining a contract shall be recognised as an asset if the Company expects to recover them.

An asset related to contract costs shall be amortised on a systematic basis that is consistent with the revenue recognition of the goods or services to which the asset relates. The Company recognises the contract acquisition costs as an expense when incurred if the amortisation period of the asset that the Company otherwise would have recognised is one year or less.

The Company shall accrue the provision for impairment, recognise an impairment loss in profit or loss to the extent that the carrying amount of an asset related to the contract cost exceeds the difference of below two items, and further consider whether the estimated liability related to the onerous contract needs to be accrued:

(i)the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less

(ii)the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

The Company shall recognise in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

Providing that the costs to fulfil a contract satisfy the requirement to be recognised as

an asset, the Company shall present them in the account "Inventory" if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account "Other non-current assets" if the contract has an original expected duration of more than one year (or a normal operating cycle).

Providing that the costs to obtain a contract satisfy the requirement to be recgonised as an asset, the Company shall present them in the account "Other current asset" if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account "Other non-current assets" if the contract has an original expected duration of more than one year (or a normal operating cycle).

3.12 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Associates of the Company are those entities over which the Company has significant influence.

德勤会计师事务所(特殊普通合伙)南京分所 审核专用章

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In assessing whether the Company has joint control of an arrangement, the Company shall assess first whether all the parties, or a group of the parties, control the arrangement. When all the parties, or a group of the parties, considered collectively, are able to direct the activities of the arrangement, the parties control the arrangement collectively. Then the Company shall assess whether decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. If two or more groups of the parties could control the arrangement collectively, it shall not be assessed as have joint control of the arrangement. When assessing the joint control, the protective rights are not considered.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In determination of significant influence over an investee, the Company should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the Company and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

If the Company holds, directly or indirectly 20% or more but less than 50% of the voting power of the investee, it is presumed that the Company has significant influence of the investee, unless it can be clearly demonstrated that in such circumstance, the Company cannot participate in the decision-making in the production and operating of the investee.

(b) Determination of initial investment cost

(i) Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For a business combination involving enterprises under common control, if the Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognised as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

德诚会计师事务所(特殊普通合伙)南京分所 审核专用章

For business combination not under common control, the assets paid, liabilities incurred or assumed and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business combination and recognised as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business combination, shall be recognised in profit or loss as incurred.

(ii) Long-term equity investments acquired not through the business combination, the investment cost shall be determined based on the following requirements:

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost, including the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investments.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in current profit or loss. If the exchange of non-monetary assets does not meet the above criterion, the book value of the assets traded out and relevant taxes are recognised as the initial investment cost.

For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained and the difference between initial investment cost and carrying amount of debts shall be recorded in current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

(i) Cost method

For Long-term equity investment at cost method, cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognises its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(ii) Equity method

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognises the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognised in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognises its share of the investee's net profits or losses after making appropriate adjustments of investee's net profit based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognised. Any losses resulting from inter-company transactions between the investor and the investee, which belong to asset impairment, shall be recognised in full.

Where the Company obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as other equity investment, difference between its fair value and the carrying value, in addition to the cumulative changes in fair value previously recorded in other comprehensive income, shall be recogised into retained earnings of the period of using equity method.

If the Company loses the joint control or significant influence of the investee for some reasons such as disposal of equity investment, the retained interest shall be measured at fair value and the difference between the carrying amount and the fair value at the date of loss the joint control or significant influence shall be recognised in profit or loss. When the Company discontinues the use of the equity method, the Company shall account for all amounts previously recognised in other comprehensive income under equity method in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

(d) Impairment testing and provision for impairment loss

For investment in subsidiaries, associates or a joint ventures, provision for impairment loss please refer to Note 3.16.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

3.13 Fixed Assets

Fixed assets refer to the tangible assets with higher unit price held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one year.

(a) Recognition criteria of fixed assets

Fixed assets will only be recognised at the actual cost paid when obtaining as all the following criteria are satisfied:

(i) It is probable that the economic benefits relating to the fixed assets will flow into the Company;

(ii) The costs of the fixed assets can be measured reliably.

Subsequent expenditure for fixed assets shall be recorded in cost of fixed assets, if recognition criteria of fixed assets are satisfied, otherwise the expenditure shall be recorded in current profit or loss when incurred.

(b) Depreciation methods of fixed assets

The Company begins to depreciate the fixed asset from the next month after it is available for intended use using the straight-line-method. The estimated useful life and annual depreciation rates which are determined according to the categories, estimated economic useful lives and estimated net residual rates of fixed assets are listed as followings:

Category	Depreciation method	Estimated useful life (year)	Residualrates (%)	Annual depreciation rates (%)
Plant & buildings	straight-line-method	20	10	4.5
Machinery	straight-line-method	10	0-10	10-9
Motor vehicles	straight-line-method	4-5	0-10	25-18
Electronic equipment, equipment and furniture	straight-line-method	3-5	0-10	33.33-18

For the fixed assets with impairment provided, the impairment provision should be excluded from the cost when calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the fixed assets shall be adjusted if it is changed compared to the original estimation.

3.14 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(b) Recognition criteria and timing of transfer from construction in progress to fixed assets

The initial book values of the fixed assets are stated at total expenditures incurred before they are ready for their intended use, including construction costs, original price of machinery equipment, other necessary expenses incurred to bring the construction in progress to get ready for its intended use and borrowing costs of the specific loan for the construction or the proportion of the general loan used for the constructions incurred before they are ready for their intended use. The construction in progress shall be transferred to fixed asset when the installation or construction is ready for the intended use. For construction in progress that has been ready for their intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when the fixed assets are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.15 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are recognised at actual cost at acquisition.

(b) The useful life and amortisation of intangible assets

(i) The estimated useful lives of the intangible assets with finite useful lives are as follows:

Category	Estimated useful life	Basis
Land use right	50 years	Legal life
Software	5-10 years	The service life is determined by reference to the period that can bring economic benefits to the Company
Patent right	10 years	The service life is determined by reference to the period that can bring economic benefits to the Company
Trademark	10 years	The service life is determined by reference to the period that can bring economic benefits to the Company
Others	0.5-6 years	The service life is determined by reference to the period that can bring economic benefits to the Company

For intangible assets with finite useful life, the estimated useful life and amortisation method are reviewed annually at the end of each reporting period and adjusted when necessary. No change has incurred in current year in the estimated useful life and amortisation method upon review.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(ii) Amortisation of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition and systematically amortised on a straight-line basis [units of production method] over the useful life. The amortisation amount shall be recognised into current profit or loss according to the beneficial items. The amount to be amortised is cost deducting residual value. For intangible assets which has impaired, the cumulative impairment provision shall be deducted as well. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless: there is a commitment by a third party to purchase the asset at the end of its useful life; or there is an active market for the asset and residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

Preparation activities related to materials and other relevant aspects undertaken by the Company for the purpose of further development shall be treated as research phase.

Expenditures incurred during the research phase of internal research and development projects shall be recognised in profit or loss when incurred.

Development activities after the research phase of the Company shall be treated as development phase.

3.16 Impairment of Long-Term Assets

Impairment loss of long-term equity investment in subsidiaries, associates and joint ventures, investment properties, fixed assets, constructions in progress and intangible assets subsequently measured at cost (excluding inventories, investment properties

measured at fair value, deferred tax assets, financial assets), shall be determined according to following method:

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any indication of impairment, the Company shall test for impairment of goodwill acquired in a business combination, intangible assets with an indefinite useful life or intangible assets not yet available for use annually.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The Company estimate the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the groups of assets that the individual asset belongs to. Identification of a group of asset is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognised accordingly.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and the recoverable amount shall be then calculated and the impairment loss shall be recognised accordingly. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the Company shall recognise the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognised.

审核专用章

3.17 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortised over current and subsequent periods with the amortisation period exceeding one year.

Long-term deferred expenses are recorded at the actual cost, and evenly amortised over the beneficial period. For long-term deferred expense that cannot bring benefit in future period, the Company recognized its amortised cost in profit or loss for the current period.

3.18 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include 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 decreased employees, or other beneficiaries are also employee benefits.

According to liquidity, employee benefits are presented in the statement of financial position as "Employee benefits payable" and "Long-term employee benefits payable".

(a) Short-term employee benefits

(i) Employee basic salary (salary, bonus, allowance, subsidy)

The Company recognises, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to current profit except for those recognised as capital expenditure based on the requirement of accounting standards.

(ii) Employee welfare

The Company shall recognise the employee welfare based on actual amount when incurred into current profit or loss or related capital expenditure. Employee welfare shall be measured at fair value as it is a non-monetary benefits.

(iii) Social insurance such as medical insurance, work injury insurance and maternity insurance, housing funds, labor union fund and employee education fund

Payments made by the Company of social insurance for employees, such as medical insurance, work injury insurance and maternity insurance, payments of housing funds, and labor union fund and employee education fund accrued in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to required accrual bases and accrual ratio in determining the amount of employee benefits and the related liabilities, which shall be recognised in current profit or loss or the cost of relevant asset.

(iv) Short-term paid absences

The company shall recognise the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated. The Company shall recognise relevant employee benefit of non-accumulating paid absences when the absences actually occurred.

(v) Short-term profit-sharing plan

The Company shall recognise the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- The Company has a present legal or constructive obligation to make such payments as a result of past events; and
- A reliable estimate of the amounts of employee benefits obligation arising from the profit- sharing plan can be made.

(b) Post-employment benefits

Defined contribution plans

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

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, they shall be discounted using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined contribution obligations) to measure employee benefits payable.

(c) Termination benefits

The Company providing termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

(i) When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.

(ii) When the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall discount the termination benefits using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) to measure the employee benefits.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

3.19 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The Company recognises the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

(i) That obligation is a current obligation of the Company;

(ii) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and

(iii) The amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying

amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidences indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount shall be adjusted based on the updated best estimate.

3.20 Share-based Payments

(a) Classification of share-based payments

Share-based payments of the Company are equity-settled share-based payments.

(b) Determining fair value of equity instruments

The fair value of shares granted to the employees can be determined by reference to the quotations in the active market, adjusted in accordance with the terms and conditions granted (excluding vesting conditions other than market conditions).

(c) Basis of best estimate of equity instruments expected to vest

Every balance sheet date during the vesting period, the Company makes best estimate according to the most updated number of employees that are eligible to exercise their options and revises the number of equity instruments expected to vest in order to make the best estimate of equity instruments expected to vest.

(d) Accounting for implementation of share-based payment programs

Equity-settled share-based payment

(i) For equity-settled share-based payment transaction in which services are received, if the equity instrument granted vest immediately, the Company shall recognise relevant costs or expenses at the fair value of the equity instruments at grant date and the corresponding increase in capital reserve.

(ii) If the equity instrument do not vest until services during the vesting period are completed or performance conditions are satisfied , at the end of each reporting period during the vesting period, the Company shall recognise relevant costs or expenses and the corresponding increase in capital reserve for services received in the reporting period at the fair value of the equity instruments at grant date, based on the best available estimate of the number of equity instruments expected to vest.

(e) Accounting for modification of share-based payment programs

When the Company modifies terms and conditions of the share-based payment program, if the modification increases the fair value of the equity instruments granted, the increased amount should be recognised for service received accordingly; if the quantity granted of the equity instruments is increased, the increased amount should be recgonised for service received accordingly as well. If the modification reduces the total fair value of the share-based payment arrangement, or the terms are changed in such a way that the arrangement is no longer for the benefit of the employee, the entity is still required to account for the services received as consideration for the equity instruments granted as if that modification had not occurred unless a part or all of the equity instruments are cancelled.

(f) Accounting for termination of share-based payment programs

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company shall:

(i) Account for the cancellation or settlement as an acceleration of vesting, and therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

(ii)Account for any payment made to the employee on the cancellation or settlement of the grant as the repurchase of an equity interest, and recognize any excess of the payment over the fair value of the equity instruments measured at the repurchase date as an expense.

If the Company repurchases vested equity instruments, the payment made to the employee shall be accounted for as a deduction from equity, and recognize any excess of the payment over the fair value of the equity instruments measured at the repurchase date shall be recognised in current profit or loss.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

3.21 Revenue

(a) General Principle

Revenue is defined as the gross inflow of economic benefits arising in the course of the ordinary activities of the Company when those inflows result in the increases in shareholders' equity, other than increases relating to contributions from shareholders.

The Company shall recognise revenue when it satisfies a performance obligation in the contract as the customer obtains control of a good or service. Control of a good or service refers to the ability to direct the use of, and obtain substantially all of the remaining economic benefits from, the good or service.

When the contract has two or more obligation performances, the Company shall allocate the transaction price to each performance obligation in proportion to a relative stand-alone selling price at contract inception of the promised good or service underlying each performance obligation in the contract and recognize revenue based on the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price of the contract, if the contract includes a variable consideration, the Company shall determine the best estimate of the variable consideration based on the expected value or the most likely amount and include in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If the contract contains a significant financing component, the Company shall determine the transaction price at an amount

that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the promised consideration shall be amortised using the effective interest method within the contract period. The Company need not consider the effects of a significant financing component if the period between when the Company transfers control of a good or service to a customer and when the customer pays for that good or service will be one year or less.

The Company satisfies a performance obligation over time, if one of the following criteria is met; otherwise a performance obligation is satisfied at a point in time:

(i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

(ii) the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;

(iii) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation, unless those progress cannot be reasonably measured. The Company measures the progress of a performance obligation for the service rendered using input methods (or output methods). In some circumstances, the Company cannot be able to reasonably measure the progress of a performance obligation, but the Company expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

中联会计师事务所(特殊普通合伙)南京分所 审核专用章

The Company shall recognise revenue at the point in which a customer obtains control of a promised good or service if a performance obligation is satisfied at a point in time. To determine the point in time at which a customer obtains control of a promised good or service, the Company shall consider indicators of the transfer of control, which include, but are not limited to, the followings:

(i) The Company has a present right to payment for the good or service – a customer is presently obliged to pay for the good or service;

(ii) The Company has transferred legal title of an asset to a customer - the customer has legal title to the asset;

(iii) The Company has transferred physical possession of an asset to a customer - the customer has physical possession of the asset;

(iv) The Company has transferred the significant risks and rewards of ownership of the asset to a customer - the customer has the significant risks and rewards of ownership of

the asset;

(v) The customer has accepted the asset.

(b) Specific Method

Revenue recognition methods of the Company are as follows:

(i) Contract of sales of goods

According to the contract of sales of goods between the Company and the customer, the Company satisfies a performance obligation by transferring the goods to the customer, which is a performance obligation satisfied at a point in time.

Revenue from domestic sales of goods can only be recognised when the following conditions are satisfied: the Company has transferred the promised goods to the customer according to the contract and the customer has accepted the goods; the payment has been received or the receipt voucher has been obtained and it is highly probable that the economic benefits associated will flow into the Company; the significant risks and rewards of ownership of the asset has been transferred; legal title of the asset has been transferred.

Revenue from overseas sales of goods can only be recognised when the following conditions are satisfied: the Company has declared the product at the customs according to the contract and obtained the bill of lading; the payment has been received or the receipt voucher has been obtained and it is highly probable that the economic benefits associated will flow into the Company; the significant risks and rewards of ownership of the asset has been transferred; legal title of the asset has been transferred.

(ii) Contract of rendering services

According to the service contract between the Company and the customer, the Company satisfies the performance obligations of technical services and rental of premises. As the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs, the Company shall treat it as a performance obligation satisfied over time and recognise revenue on a straight-line basis throughout the performance period.

3.22 Government Grants

(a) Recognition of government grants

A government grant shall not be recgonised until there is reasonable assurance that:

(i) The Company will comply with the conditions attaching to them; and

(ii) The grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at a nominal value of RMB 1.00 when reliable fair value is not available.

(c) Accounting for government grants

(i) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Government grants pertinent to assets shall be recognised as deferred income, and should be recognised in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognised in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(ii) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants shall be recognised as deferred income and included into profit or loss (or write down related expenses) in the same period as the relevant expenses or losses are recognised;

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognised into current profit or loss (or write down related expenses).

For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

Government grants related to daily operation activities are recognised in other income (or write down related expenses) in accordance with the nature of the activities, and government grants irrelevant to daily operation activities are recognised in non-operating income.

(iii) Repayment of the government grants

Repayment of the government grants shall be recorded by increasing the carrying amount of the asset if the book value of the asset has been written down, or reducing the balance of relevant deferred income if deferred income balance exists, any excess will be recognised into current profit or loss; or directly recognised into current profit or loss for other circumstances.

3.23 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base at the balance sheet date.

The Company recognise and measure the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognised for deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits can be utilised at the tax rates that are expected to apply to the period when the asset is realised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(i) Is not a business combination; and

(ii) At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The Company shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, only to the extent that, it is probable that:

(i) The temporary difference will reverse in the foreseeable future; and

(ii) Taxable profit will be available against which the deductible temporary difference can be utilised.

普华永道中天会计师事务所(特殊普通合伙)南京分所 审核专用章

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognises a previously unrecognised deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognised for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled.

(i) No deferred tax liability shall be recognised for taxable temporary differences arising from:

- The initial recognition of goodwill; or
- The initial recognition of an asset or liability in a transaction which: is not a business combination; and at the time of the transaction, affects neither accounting

profit nor taxable profit (tax loss)

(ii) An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that both of the following conditions are satisfied:

- The Company is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

(i) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognised, and simultaneously, goodwill recognised in the business combination shall be adjusted based on relevant deferred tax expense (income).

(ii) Items directly recognised in equity

Current tax and deferred tax related to items that are recognised directly in equity shall be recognised in equity. Such items include: other comprehensive income generated from fair value fluctuation of other debt investments; an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of a prior period (significant) error; amounts arising on initial recognition of the equity component of a compound financial instrument that contains both liability and equity component.

(iii) Unused tax losses and unused tax credits

Unused tax losses and unused tax credits generated from daily operation of the Company itself

Deductible loss refers to the loss calculated and permitted according to the requirement of tax law that can be offset against taxable income in future periods. The criteria for recognising deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognising deferred tax assets arising from deductible temporary differences. The Company recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company. Income taxes in current profit or loss shall be deducted as well.

Unused tax losses and unused tax credits arising from a business combination

Under a business combination, the acquiree's deductible temporary differences which do not satisfy the criteria at the acquisition date for recognition of deferred tax asset shall not be recognised. Within 12 months after the acquisition date, if new information

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

regarding the facts and circumstances exists at the acquisition date and the economic benefit of the acquiree's deductible temporary differences at the acquisition is expected to be realised, the Company shall recognise acquired deferred tax benefits and reduce the carrying amount of any goodwill related to this acquisition. If goodwill is reduced to zero, any remaining deferred tax benefits shall be recognised in profit or loss. All other acquired deferred tax benefits realised shall be recognised in profit or loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of inter-company unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognised in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well except for deferred tax related to transactions or events recognised directly in equity and business combination.

(v) Share-based payment settled by equity

If tax authority permits tax deduction that relates to share-based payment, during the period in which the expenses are recognised according to the accounting standards, the Company estimates the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognised when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the cumulative expenses related to share-based payment recognised according to the accounting standards, the tax effect of the excess amount shall be recognised directly in equity.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

3.24 Leases

(a) Identifying a lease

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company shall assess whether, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from use of the identified asset and to direct the use of the identified asset.

(b) Identifying a separate lease component

When a contract includes more than one separate lease components, the Company shall separate components of the contract and account for each lease component separately. The right to use an underlying asset is a separate lease component if both conditions have been satisfied: (i) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; (ii) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

(c) The Company as a lessee

At the commencement date, the Company identifies the lease that has a lease term of 12 months or less and does not contain a purchase option as a short-term lease. A lease qualifies as a lease of a low-value asset if the nature of the asset is such that, when new, the asset is typically of low value. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

All the short-term leases or leases for which the underlying asset is of low value, the Company shall recognise the lease payments associated with those leases as cost of relevant asset or expenses in current profit or loss on a straight-line method over the lease term.

Except for the election of simple treatment as short-term lease or lease of a low-value asset as mentioned above, at the commencement date, the Company shall recognise a right-of-use asset and a lease liability.

(i) Right-of-use asset

A right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.

At the commencement date, the Company shall initially measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company recognises and measures the cost in accordance with the recognition criteria and measurement method for estimated liabilities, details please refer to Notes 3.19. Those costs incurred to produce inventories shall be included in the cost of inventories.

审核专用章

The right-of-use asset shall be depreciated according to the categories using straight - line method. If it is reasonably certain that the ownership of the underlying asset shall be transferred to the lessee by the end of the lease term, the depreciation rate shall be determined based on the classification of the right-of- use asset and estimated residual value rate from the commencement date to the end of the useful life of the underlying asset. Otherwise, the depreciation rate shall be determined based on the classification of the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(ii) Lease liability

At the commencement date, the lease liability shall be measured at the present value of the lease payments that are not paid at that date. The lease payments included in the measurement of the lease liability comprise the following 5 items:

- fixed payments and in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease;
- amounts expected to be payable by the lessee under residual value guarantees.

In order to calculate the present value of the lease payments, interest rate implicit in the lease shall be used as the discount rate. If that rate cannot be readily determined, the Company shall use the incremental borrowing rate. The difference between the lease payments and its present value shall be recognised as unrecognised financing charges, calculated bases on the discount rate of the present value of the lease payments in each period within the lease term and recorded as interest expense in current profit or loss. Variable lease payments not included in the measurement of lease liabilities shall be recognised in current profit or loss when incurred.

After the commencement date, the Company shall remeasure the lease liability based on the revised present value of the lease payments and adjust the carrying amount of the right-of-use asset if there is a change in the in-substance fixed payments, or change in the amounts expected to be payable under a residual value guarantee, or change in an index or a rate used to determine lease payments, or change in the assessment or exercising of an option to purchase the underlying asset, or an option to extend or terminate the lease.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(d) The Company as a lessor

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

(i) Operating leases

The Company shall recognise lease payments from operating leases as income on a straight-line basis / units of production method (or other systematic and rational basis) over the term of the relevant lease and the initial direct costs incurred in obtaining an operating lease shall be capitalised and recognised as an expense over the lease term on the same basis as the lease income. The Company shall recognise the variable lease payments relating to the operating lease but not included in the measurement of the lease receivables into current profit or loss when incurred.

(ii) Finance leases

At the commencement date, the Company shall recognise the lease receivables at an account equal to the net investment in the lease (the sum of the present value of the unguaranteed residual values and the lease payment that are not received at the commencement date discounted at the interest rate implicit in the lease) and derecognise the asset relating to the finance lease. The Company shall recognise interest income using the interest rate implicit in the lease over the lease term.

The Company shall recognise the variable lease payments relating to the finance lease but not included in the measurement of the net investment in the lease into current profit or loss when incurred.

(e) Lease modifications

(i) A lease modification accounted for as a separate lease

The Company shall account for a modification to a lease as a separate lease, if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

(ii) A lease modification not accounted for as a separate lease

The Company as a lessee

At the effective date of the lease modification, the Company shall redetermine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

The Company shall account for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term. The Company shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.
- Making a corresponding adjustment to the carrying amount of the right-of-use asset for all other lease modifications.

The Company as a lessor

The Company shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For a modification to a finance lease that is not accounted for as a separate lease, the

Company shall account for the modification as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Company shall account for the lease modification as a new lease from the effective date of the modification and measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification;
- if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Company shall account for the lease modification according to the requirements in the modification or renegotiation of the contract.

3.25 Safety Production Costs and Maintenance Fees

According to the relevant regulations, the Company accrues the safety production costs according to "Notice of the Ministry of Finance and the State Administration of Work Safety on Issuing the Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds".

The safety production costs and the maintenance fees shall be recognised in the cost of the relevant products or current profit or loss when makes the accrual, and included in the "special reserve" account simultaneously.

When the accrued safety production costs and the maintenance fees are used within the scope of the regulations, it shall be treated as expense and directly deducted from the special reserve; if the fixed assets are capitalized, the expenditure incurred shall be firstly collectively recorded in "construction in progress" and recognised as fixed asset when the safety project has been completed for its intended use. At the same time, the cost that capitalized as the fixed assets shall be deducted from the special reserve and the accumulated depreciation with the same amount shall be recognised. The fixed assets shall not be depreciated in subsequent reporting period.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

3.26 Repurchase of Company's Share

(a) If the Company reduces its registered capital through repurchase of the Company's share according to the approval required in relevant laws and regulations, the share capital shall be reduced at the par value of the shares deregistered, the difference between the consideration paid for repurchase (including the transaction cost) and the par value of the shares shall adjust the owner's equity. Any excess of the total par value shall offset the capital reserve (share premium), surplus reserve and retained earnings in turn. If the consideration paid is less than the total par value, the difference shall increase the capital reserve (share premium).

(b) Before being deregistered or transfered, shares repurchased by the Company shall be treated as treasury stock and all expenditures of the repurchase shall be recognised as the cost of treasury stock.

(c) Any excess of the income generated from transferring the treasury stock over their cost shall increase the capital reserve (share premium), and any less shall offset the capital reserve (share premium), surplus reserve and retained earnings in turn.

3.27 Restricted Stock

In the equity incentive plan, the Company shall grant restricted shares to the motivated target, and the motivated object first subscribes for the stock. If the subsequent unlocking conditions specified in the equity incentive plan are not met, the Company repurchases the stock at the price agreed in advance. If the restricted shares issued to employees are subject to the procedures for capital increase such as registration in accordance with relevant regulations, at grant date, the Company shall recognise the share capital and capital reserve (share premium) based on the received subscription fees from the employees; treasury stocks and other payables shall be recognised based on the repurchase obligation.

3.28 Significant Accounting Judgements and Estimates

The Company continuously assesses the significant accounting estimates and key assumptions according to its historical experiences and other elements, including reasonable expectations on the future events. The significant estimates and key assumptions that may result in significant adjustment on the assets and liabilities' carrying value in the following fiscal year are listed as below:

Classification of financial assets

Significant estimates and key assumptions involved in classification of financial assets include determination of business model and contractual cash flow characteristics.

The Company's business model is determined at a level that reflects how groups of financial assets are managed. Evidences that the Company must consider include but not limited to:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of financial assets and their management methods;
- how managers of the business are compensated.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

In order to assess whether the contractual cash flows are consistent with a basic lending arrangement, the Company must consider whether the financial asset contains a contractual term that could change the timing or amount of the principal (for example, if the asset can be prepaid before maturity) and whether the interest consists of consideration for time value of the money, credit risk, other basic lending risk and costs, as well as profit margin. For example, the Company shall consider whether the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding as well as reasonable additional compensation for the early termination of the contract.

Measurement of the expected credit loss of accounts receivables

The Company calculates the expected credit loss of accounts receivables based on its

exposure to credit risk and the expected credit loss rate. The expected credit loss rate is determined based on the probability to default and the loss rate as a result of default. When determining the expected credit loss, the Company uses its historical credit loss experience, modified by considering current condition and forward-looking information. The forward-looking information include risk of economic downturn, external market environment, technology environment and changes in customer's situation, etc. The Company periodically monitors and reviews the assumptions used in calculating the expected credit loss.

Deferred tax assets

Deferred tax assets shall be recognised for all unused taxable losses to the extent that it is probable that the taxable profits will be available against which unused tax losses can be utilised. It requires management to estimate the time and amount of future taxable profits using plenty of judgment so as to determine the amount to be recognised as deferred tax assets, taking into consideration of the tax planning strategy.

3.29 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting polices

On 30 November 2022, the Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No.16 (Caikuai[2022] No.31) (hereinafter referred to as "Interpretation No.16"), in which the provision of "Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction that does not apply the initial recognition exemption" shall be implemented as of 1 January 2023. There are not any significant impacts on the Company's financial statements during the reporting period for the implementation of Interpretation No.16.

(b) Significant changes in accounting estimates

The Company has no significant changes in accounting estimates for the reporting period.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate
Value added tax (VAT)	VAT are paid on taxable revenues	13%
Urban maintenance and construction tax	Urban maintenance and construction taxes are paid on turnover taxes	7%
Educational surcharge	Educational surtaxes are paid on turnover taxes	5%
Enterprise income tax	Enterprise income taxes are paid on taxable profits	15%

4.2 Tax Preference

Certificates of Advanced Technology Enterprises is issued by Jiangsu Science Technology Department, Jiangsu Financial Department, Jiangsu State Taxation Administration and Jiangsu Local Taxation Administration on 6 November 2023. The

certificate number is GR2023320074583.

According to the Certificates of Advanced Technology Enterprises, the Company is recognized as an advanced technology enterprise which carries out income tax rate with 15% since 01 January 2023. The validity is 3 years.

5. NOTES TO THE FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 December 2023	31 December 2022
Cash in bank	136,409,273.81	80,696,365.23
Other monetary funds	106.42	1,180.83
Total	136,409,380.23	80,697,546.06

Notes: At 31 December 2023, the security deposits for Bank acceptance bill and letters of guarantee amounted to USD 2.13 included in other monetary funds. The remaining funds in other monetary funds of USD 104.29 represent the balance of the securities fund account. Except for that, no other monetary funds are restricted to use or in some potential risks of recovery due to the mortgage, pledge or freezing.

5.2 Financial Assets Held-for-trading

Items	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	25,459,324.09	-
Including: Financial product	25,459,324.09	-

5.3 Notes Receivable

(a) Notes receivable by category

Items	31 December 2023			31 December 2022		
	Book Balance	Provision for bad debt	Carrying amount	Book Balance	Provision for bad debt	Carrying amount
Bank acceptance bills	11,724,722.39	-	11,724,722.39	22,049,708.80	-	22,049,708.80
Total	11,724,722.39	-	11,724,722.39	22,049,708.80	-	22,049,708.80

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(b) Pledged notes receivable at 31 December 2023

The Company has no pledged notes receivable at 31 December 2023.

(c) Notes receivable discounted or endorsed to third parties but not yet matured at 31 December 2023

Items	Amount derecognised as at the end of the reporting period	Amount not derecognised as at the end of the reporting period
Bank acceptance bills		9,607,946.49

5.4 Accounts Receivable

(a) Accounts receivable by aging

Aging	31 December 2023	31 December 2022
Within one year	195,902,363.55	191,240,320.37
Including: Within 6 months	155,222,760.55	158,762,484.01
7-12 months	40,679,603.00	32,477,836.36
Subtotal	195,902,363.55	191,240,320.37
1-2 years	35,058,971.55	26,044,857.54
2-3 years	13,550,129.02	13,739,173.12
3-4 years	9,818,687.19	4,095,188.02
Over 4 years	10,030,773.05	9,344,267.51
Subtotal	264,360,924.36	244,463,806.56
Less: provision for bad debt	19,582,915.01	14,705,077.08
Total	244,778,009.35	229,758,729.48

(b) Accounts receivable by bad debt provision method

Category	31 December 2023				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	982,620.56	0.37	982,620.56	100.00	-
Provision for bad debt recognized collectively	263,378,303.80	99.63	18,600,294.45	7.06	244,778,009.35
Including: Company receivables from domestic customers	120,020,063.86	45.40	8,669,860.43	7.22	111,350,203.43
Including: Company receivables from export customers	62,089,960.31	23.49	9,930,434.02	15.99	52,159,526.29
Receivables from related parties within the scope of consolidation	81,268,279.63	30.74	-	-	81,268,279.63
Total	264,360,924.36	100.00	19,582,915.01	7.41	244,778,009.35

(Continued)

Category	31 December 2022				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	970,451.77	0.40	970,451.77	100.00	-
Provision for bad debt recognized collectively	243,493,354.79	99.60	13,734,625.31	5.64	229,758,729.48
Including: Company receivables from domestic customers	97,463,330.80	39.87	6,601,924.11	6.77	90,861,406.69

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Category	31 December 2022				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	970,451.77	0.40	970,451.77	100.00	-
Including: Company receivables from export customers	81,793,062.72	33.46	7,132,701.20	8.72	74,660,361.52
Receivables from related parties within the scope of consolidation	64,236,961.27	26.27	-	-	64,236,961.27
Total	244,463,806.56	100.00	14,705,077.08	6.02	229,758,729.48

Detailed explanation of provision for bad debt:

(i) As at 31 December 2023, accounts receivable with bad debt provision recognized individually.

Entity name	31 December 2023		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Customer A	473,877.91	473,877.91	100.00
Customer B	235,407.06	235,407.06	100.00
Customer C	97,805.48	97,805.48	100.00
Customer D	43,771.16	43,771.16	100.00
Customer E	38,036.57	38,036.57	100.00
Other Customers	93,722.37	93,722.37	100.00
Total	982,620.55	982,620.55	100.00

(ii) As at 31 December 2023 and 2022, accounts receivable with bad debt provision recognised by group 1 (receivables from domestic customers)

Aging	31 December 2023		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	81,266,602.33	993,149.25	1.22
Including: Within 6 months	61,403,617.40	-	-
7-12 months	19,862,984.93	993,149.25	5.00
Subtotal	81,266,602.33	993,149.25	1.22
1-2 years	25,287,791.56	2,528,779.16	10.00
2-3 years	6,897,216.86	1,379,443.37	20.00
3-4 years	4,666,607.44	1,866,642.98	40.00
Over 4 years	1,901,845.67	1,901,845.67	100.00
Total	120,020,063.86	8,669,860.43	7.22

审核专用章

(Continued)

Aging	31 December 2022		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	71,019,239.04	797,159.59	1.12
Including: Within 6 months	55,076,047.34	-	-
7-12 months	15,943,191.70	797,159.59	5.00
Subtotal	71,019,239.04	797,159.59	1.12
1-2 years	14,671,951.51	1,467,195.15	10.00
2-3 years	7,458,568.21	1,491,713.64	20.00
3-4 years	2,446,193.85	978,477.54	40.00
Over 4 years	1,867,378.19	1,867,378.19	100.00
Total	97,463,330.80	6,601,924.11	6.77

(iii) As at 31 December 2023 and 2022, accounts receivable with bad debt provision recognised by group 2 (receivables from export customers)

Aging	31 December 2023		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	37,249,802.94	263,402.32	0.71
Including: Within 6 months	28,469,725.60	-	-
7-12 months	8,780,077.34	263,402.32	3.00
Subtotal	37,249,802.94	263,402.32	0.71
1-2 years	9,742,703.93	1,461,405.59	15.00
2-3 years	6,503,894.87	1,951,168.46	30.00
3-4 years	4,678,201.84	2,339,100.92	50.00
Over 4 years	3,915,356.73	3,915,356.73	100.00
Total	62,089,960.31	9,930,434.02	15.99

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(Continued)

Aging	31 December 2022		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	63,644,558.47	196,105.28	0.31
Including: Within 6 months	57,107,715.68	-	-
7-12 months	6,536,842.79	196,105.28	3.00
Subtotal	63,644,558.47	196,105.28	0.31
1-2 years	7,452,313.67	1,117,847.06	15.00

Aging	31 December 2022		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
2-3 years	5,806,727.00	1,742,018.10	30.00
3-4 years	1,625,465.63	812,732.81	50.00
Over 4 years	3,263,997.95	3,263,997.95	100.00
Total	81,793,062.72	7,132,701.20	8.72

Basis of provision for bad debt during the reporting period:

For details of recognition criteria and explanation for provision of bad debt by groups, please refer to Notes 3.7.

(c) Changes of provision for bad debt during the reporting period

Category	31 December 2022	Changes during the reporting period			Exchange difference	31 December 2023
		Provision	Recovery or reversal	Elimination or write-off		
Bad debt provision for accounts receivable	14,705,077.08	5,267,499.87	36,452.50	64,756.57	-288,452.87	19,582,915.01

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

(d) Accounts receivable written off during the reporting period

Items	Amount
Accounts receivable written off	64,217.14

(e) Top five closing balances by entity

As at 31 December 2023, the total amount of the top five accounts receivable collected by the company according to the ending balance of the owed party was USD 108,134,482.80, accounting for 37.52% of the total closing balance of accounts receivable. The corresponding total amount of bad debt preparation ending balance was USD 2,060,125.43.

5.5 Accounts Receivable Financing

(a) Accounts receivable financing by category

Items	Fair value as at 31 December 2023	Fair value as at 31 December 2022
Notes receivable included in other comprehensive income	7,474,652.35	4,520,045.65
Including: Bank acceptance bills	7,474,652.35	4,520,045.65

Notes: No pledged notes receivable at 31 December 2023.

(b) Notes receivable discounted or endorsed but not yet matured at 31 December 2023

Items	Amount derecognised as at the end of the reporting period	Amount not derecognised as at the end of the reporting period
Bank acceptance bills	8,229,741.86	

5.6 Advances to Suppliers

(a) Advances to suppliers by aging

Aging	31 December 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	4,039,676.63	81.74	4,007,681.07	85.45
1 to 2 years	714,287.90	14.45	323,770.17	6.90
2 to 3 years	80,460.54	1.63	243,983.86	5.20
Over 3 years	107,554.43	2.18	115,115.41	2.45
Total	4,941,979.50	100.00	4,690,550.51	100.00

Note: As at 31 December 2023, there is no significant balance with aging more than one year.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

5.7 Other Receivables

(a) Other Receivables

(i) Other receivables by aging

Aging	31 December 2023	31 December 2022
Within one year	32,877,748.49	34,070,692.36
Including: within 6 months	4,659,119.82	14,464,777.06
7-12months	28,218,628.67	19,605,915.30
Subtotal	32,877,748.49	34,070,692.36
1-2 years	25,230,593.93	7,463,396.52
2-3 years	32,206.99	157,512.12
3-4 years	61,809.05	-
Over 4 years	-	69,910.69
Subtotal	58,202,358.46	41,761,511.69
Less: provision for bad debt	-	67,484.13
Total	58,202,358.46	41,694,027.56

(ii) Other receivables by nature

Nature	31 December 2023	31 December 2022
Advances from related parties	56,078,616.86	39,839,088.60
Margin	1,289,909.80	1,346,132.22
Reserve fund	807,534.10	532,379.81
Other	26,297.70	43,911.06
Subtotal	58,202,358.46	41,761,511.69
Less: provision for bad debt	-	67,484.13
Total	58,202,358.46	41,694,027.56

(iii) Other receivables by bad debt provision method

A. As at 31 December 2023, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying acount
Stage 1	58,202,358.46	-	58,202,358.46
Stage 2	-	-	-
Stage 3	-	-	-
Total	58,202,358.46	-	58,202,358.46

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

As at 31 December 2023, provision for bad debt at stage 1:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually	-	-	-	-	/
Provision for bad debt recognised by groups	58,202,358.46	-	-	58,202,358.46	/
Including: Group 1	58,202,358.46	-	-	58,202,358.46	/

As at 31 December 2023, provision for bad debt at stage 3:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually	-	-	-	-	

B. As at 31 December 2022, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying amount
Stage 1	41,694,027.56	-	41,694,027.56
Stage 2	-	-	-
Stage 3	67,484.13	67,484.13	-
Total	41,761,511.69	67,484.13	41,694,027.56

As at 31 December 2022, provision for bad debt at stage 1:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually	-	-	-	-	/
Provision for bad debt recognised by groups	41,694,027.56	-	-	41,694,027.56	/
Including: Group 1	41,694,027.56	-	-	41,694,027.56	/

As at 31 December 2022, provision for bad debt at stage 3:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually	67,484.13	100.00	67,484.13	-	Not expected to be recovered

Basis of provision for bad debt during the reporting period:

For details of recognition criteria and explanation for provision of bad debt by groups, please refer to Notes 3.7.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(iv) Changes of provision for bad debt during the reporting period

Category	31 December 2022	Changes during the reporting period			Exchange difference	31 December 2023
		Provision	Recovery or reversal	Elimination or write-off		
Bad debt provision for other receivable	67,484.13	-	-	66,916.30	-567.83	-

(v) Top five closing balances by entity

Entity name	Nature	Balance as at 31 December 2023	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
NEWAY PRECISION FORGING (LI YANG) CO., LTD.	Related party loans	56,078,616.86	USD31,456,431.47 is aged within 1 year, USD24,622,185.39 is aged within 1-2years	96.35	-
JIANGSU WEICHENG TENDERING CO., LTD.	Margin	259,929.12	USD 64,382.23 is aged within 1 year, USD 195,546.89 is aged within 1-2years	0.45	-
NINGXIA BAOFENG ENERGY GROUP CO., LTD.	Margin	228,726.33	Within 1 year	0.39	-
CHINA PETROCHEMICAL INTERNATIONAL (NINGBO) CO., LTD.	Margin	141,189.09	1-2years	0.24	-
SICHUAN YONGXIANG NEW ENERGY CO., LTD	Margin	112,951.28	Within 1 year	0.19	-
Total	/	56,821,412.68	/	97.62	-

5.8 Inventories

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(a) Inventories by category

Items	31 December 2023			31 December 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Raw materials	37,263,748.08	3,433,541.57	33,830,206.51	46,103,995.46	3,123,540.22	42,980,455.24
Work in process	69,210,905.21	68,842.73	69,142,062.48	57,960,619.21	76,230.79	57,884,388.42
Finished goods	88,302,560.64	4,716,829.24	83,585,731.40	69,306,446.40	7,205,159.49	62,101,286.91
Goods in transit	36,323,218.17	1,100,888.19	35,222,329.98	43,463,448.29	554,905.70	42,908,542.59
Total	231,100,432.10	9,320,101.73	221,780,330.37	216,834,509.36	10,959,836.20	205,874,673.16

(b) Provision for impairment

Items	31 December 2022	Increase during the reporting period		Decrease during the reporting period		Exchange Difference	31 December 2023
		Provision	Others	Reversal or elimination	Others		
Raw materials	3,123,540.22	1,445,607.89	-	1,080,481.72	-	-55,124.82	3,433,541.57

Items	31 December 2022	Increase during the reporting period		Decrease during the reporting period		Exchange Difference	31 December 2023
		Provision	Others	Reversal or elimination	Others		
Work in process	76,230.79	69,421.01	-	75,589.36	-	-1,219.71	68,842.73
Finished goods	7,205,159.49	198,061.64	-	2,586,143.03	-	-100,248.86	4,716,829.24
Goods in transit	554,905.70	1,110,135.80	-	550,236.52	-	-13,916.79	1,100,888.19
Total	10,959,836.20	2,823,226.34	-	4,292,450.63	-	-170,510.18	9,320,101.73

5.9 Contract Assets

(a) Details of contact assets

Items	31 December 2023			31 December 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Undue warranties	23,860,183.87	4,721,138.54	19,139,045.33	22,891,704.66	5,875,641.80	17,016,062.86

(b) Contract assets by impairment provision method

Category	31 December 2023				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	369,917.66	1.55	369,917.66	100.00	-
Provision for bad debt recognised by groups	23,490,266.21	98.45	4,351,220.88	18.52	19,139,045.33
Total	23,860,183.87	100.00	4,721,138.54	19.79	19,139,045.33

(Continued)

Category	31 December 2022				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	228,684.48	1.00	228,684.48	100.00	-
Provision for bad debt recognised by groups	22,663,020.18	99.00	5,646,957.32	24.92	17,016,062.86
Total	22,891,704.66	100.00	5,875,641.80	25.67	17,016,062.86

(c) Changes of provision for impairment during the reporting period

Category	31 December 2022	Changes during the reporting period			Exchange Difference	31 December 2023
		Provision	Recovery or reversal	Elimination or write-off		
Undue warranties	5,875,641.80	-995,874.47	65,442.91	4,087.88	-89,098.00	4,721,138.54

资格会计师事务所(特殊普通合伙)南京分所 审核专用章

5.10 Other Current Assets

Items	31 December 2023	31 December 2022
Input tax and prepaid tax to be deducted	4,043,656.86	264,750.49

5.11 Long-term Equity Investments

Investees	31 December 2022	Increase during the reporting period	Decrease during the reporting period	31 December 2023	Provision for impairment	Provision for impairment at 31 December 2023
NEWAY INDUSTRIAL (SUZHOU) CO., LTD.	43,253,636.40	418,787.41	-	43,672,423.81	-	-
NEWAY INDUSTRIAL MATERIALS (DAFENG) CO.,LTD.	26,770,734.21	85,225.31	-	26,855,959.52	-	-
NEWAY OIL EQUIPMENT (SUZHOU) CO., LTD.	20,520,573.61	464,973.12	-	20,985,546.73	-	-
DONGWU MECHANICAL (WUJIANG) CO., LTD.	13,859,800.42	163,144.41	-	14,022,944.83	-	-
NEWAY PRECISION FORGING (LI YANG) CO., LTD	73,722,240.94	102,516.31	-	73,824,757.25	-	-
BESTWAY TECHNOLOGIES LIMITED	19,993,762.69	-	-	19,993,762.69	-	-
NEWAY VALVE INTERNATIONAL INC	23,417,149.19	-	-	23,417,149.19	-	-
NEWAY FLOW CONTROL INC	4,425,711.72	-	-	4,425,711.72	-	4,425,711.72
NEWAY VALVE (EUROPE) B.V.	2,387,956.99	2,324.70	-	2,390,281.69	-	-
NEWAY VALVE (SINGAPORE) PTE.LTD	3,310,610.45	22,457.26	-	3,333,067.71	-	-
NEWAY FLOW CONTROL FZE	1,460,987.74	35,866.86	-	1,496,854.60	-	-
NEWAY FLOW CONTROL (SUZHOU) CO.,LTD.	22,774,859.16	-	-	22,774,859.16	-	-
NEWAY VALVE WEST AFRICA FZE	1,586,072.35	10,129.07	-	1,596,201.42	-	-
NEWAY FLOW TECHNOLOGY (LIANYUNGANG) CO., LTD.	94,052.73	218,175.47	-	312,228.20	-	-
NEWAY TECHNOLOGY (YANTAI) CO., LTD.	74,960.27	70,594.55	-	145,554.82	-	-
Total	257,653,108.87	1,594,194.47	-	259,247,303.34	-	4,425,711.72

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

5.12 Fixed Assets

(a) Fixed assets by category

Items	31 December 2023	31 December 2022
Fixed assets	53,644,262.81	45,046,319.62
Disposal of fixed assets	46,679.02	68,685.51
Total	53,690,941.83	45,115,005.13

(b) Fixed assets

Items	Buildings and constructions	Machinery equipment	Vehicles	Electronic equipment, appliances and furniture	Total
Initial cost:					
Balance as at 31 December 2022	36,137,947.33	49,642,478.94	2,537,501.85	10,521,464.65	98,839,392.77
Increase during the reporting period	6,922.83	14,158,267.43	676,371.54	3,160,694.30	18,002,256.10
(i) Acquisition	-	52,058.90	414,869.08	1,649,346.48	2,116,274.46
(ii)Transfer from construction in progress	6,922.83	14,106,208.53	261,502.46	1,511,347.82	15,885,981.64
Decrease during the reporting period	-	1,487,332.50	489,095.94	425,394.26	2,401,822.70
(i) Disposal	-	1,435,116.52	489,095.94	423,112.43	2,347,324.89
(ii) Other decrease	-	52,215.98	-	2,281.83	54,497.81
Exchange difference	-602,637.42	-933,311.02	-43,871.43	-198,224.93	-1,778,044.80
Balance as at 31 December 2023	35,542,232.74	61,380,102.85	2,680,906.02	13,058,539.76	112,661,781.37
Accumulated depreciation:					
Balance as at 31 December 2022	16,976,226.27	27,315,399.53	1,860,313.61	7,641,133.74	53,793,073.15
Increase during the reporting period	2,299,450.51	4,193,259.84	321,948.86	1,298,566.49	8,113,225.70
(i) Provision	2,299,450.51	4,193,259.84	321,948.86	1,298,566.49	8,113,225.70
Decrease during the reporting period	-	1,091,733.84	448,155.32	400,501.50	1,940,390.66
(i) Disposal	-	1,071,081.83	448,155.32	400,501.50	1,919,738.65
(ii) Other decrease	-	20,652.01	-	-	20,652.01
Exchange difference	-302,223.72	-481,304.97	-29,968.36	-134,892.58	-948,389.63
Balance as at 31 December 2023	18,973,453.06	29,935,620.56	1,704,138.79	8,404,306.15	59,017,518.56
Provision for impairment:					
Carrying amount:					
Balance as at 31 December 2023	16,568,779.68	31,444,482.29	976,767.23	4,654,233.61	53,644,262.81
Balance as at 31 December 2022	19,161,721.06	22,327,079.41	677,188.24	2,880,330.91	45,046,319.62

审核专用章

(c) Disposal of fixed assets

Items	31 December 2023	31 December 2022
Machinery equipment	35,826.94	65,735.56
Electronic equipment, appliances and furniture	7,418.09	2,949.96
Vehicles	3,433.99	-
Total	46,679.02	68,685.52

5.13 Construction in Progress

(a) Construction in progress

(i) General information of construction in progress

Items	31 December 2023			31 December 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Equipment	432,763.12	-	432,763.12	129,855.81	-	129,855.81

(ii) Changes in significant projects of construction in progress

Projects	Budget	31 December 2022	Increase during the reporting period	Transfer to fixed asset	Decrease during the reporting period	Exchange difference	31 December 2023
Equipment	/	129,855.81	16,268,180.36	15,885,981.64	74,563.49	-4,727.92	432,763.12
Total	/	129,855.81	16,268,180.36	15,885,981.64	74,563.49	-4,727.92	432,763.12

(Continued)

Projects	Proportion of project input to budgets (%)	Rate of progress	Cumulative amount of interest capitalisation	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period (%)	Source of funds
Equipment	/	Under construction	-	-	-	Private capital

5.14 Intangible Assets

Items	Land use rights	Software	Brand	Patents	Total
Initial cost:					
Balance as at 31 December 2022	5,563,595.39	4,939,191.55	214,358.36	69,863.04	10,787,008.34
Increase during the reporting period	-	294,720.73	26,888.37	-	321,609.10
(i) Acquisition	-	294,720.73	26,888.37	-	321,609.10
Decrease during the reporting period	-	-	-	-	-
Exchange difference	-92,769.79	-84,813.28	-3,798.28	-1,164.93	-182,546.28
Balance as at 31 December 2023	5,470,825.60	5,149,099.00	237,448.45	68,698.11	10,926,071.16
Accumulated amortisation:					
Balance as at 31 December 2022	1,102,062.08	3,545,040.61	109,390.57	10,601.08	4,767,094.34
Increase during the reporting period	122,789.11	369,161.52	20,440.42	6,715.81	519,106.86
Decrease during the reporting period	-	-	-	-	-
Exchange difference	-19,399.12	-62,186.71	-1,994.29	-232.71	-83,812.83
Balance as at 31 December 2023	1,205,452.07	3,852,015.42	127,836.70	17,084.18	5,202,388.37
Provision for impairment:					

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Items	Land use rights	Software	Brand	Patents	Total
Carrying amount:					
Balance as at 31 December 2023	4,265,373.53	1,297,083.58	109,611.75	51,613.93	5,723,682.79
Balance as at 31 December 2022	4,461,533.31	1,394,150.94	104,967.79	59,261.96	6,019,914.00

5.15 Deferred Tax Assets

Items	31 December 2023		31 December 2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Accrued expense payable	38,560,889.72	5,784,133.46	25,523,072.87	3,828,460.93
Provision for credit impairment	19,582,915.01	2,937,437.25	15,819,937.01	2,372,990.55
Provision for impairment loss	14,041,240.27	2,106,186.04	25,958,795.92	3,893,819.39
Deferred income	1,736,331.72	260,449.76	1,963,728.47	294,559.27
Share based payment	4,276,794.99	641,519.25	2,075,970.12	311,395.52
Unused special reserve- safety production costs	527,923.23	79,188.48	295,055.60	44,258.34
Deferred expenses	44,617.04	6,692.56	-	-
Total	78,770,711.98	11,815,606.80	71,636,559.99	10,745,484.00

5.16 Other Non-current Assets

Items	31 December 2023	31 December 2022
Prepaid equipment fee	1,521,128.76	2,704,000.16
Other	48,914.85	80,940.97
Total	1,570,043.61	2,784,941.13

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

5.17 Short-term Borrowings

Items	31 December 2023	31 December 2022
Credit loan	86,972,482.24	94,764,954.20
Discounted notes receivable not due and not derecognized	1,376,829.46	1,851,637.34
Subtotal	88,349,311.70	96,616,591.54
Interest payable	73,781.89	73,004.11
Total	88,423,093.59	96,689,595.65

5.18 Notes Payable

Category	31 December 2023	31 December 2022
Bank acceptance bills	109,912,629.56	71,622,947.94

Category	31 December 2023	31 December 2022
Commercial acceptance bills	-	1,066,604.99
Total	109,912,629.56	72,689,552.93

Notes: As at 31 December 2023, the Company has no notes payable matured but not yet paid.

5.19 Accounts Payable

Items	31 December 2023	31 December 2022
Payables for goods	169,836,480.11	165,366,173.48

Notes: No Significant accounts payable with aging of over one year as at 31 December 2023.

5.20 Contract liabilities

Items	31 December 2023	31 December 2022
Advances for goods	23,199,734.68	28,485,545.99

5.21 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 December 2022	Increase during the reporting period	Decrease during the reporting period	Exchange difference	31 December 2023
Short-term employee benefits	8,483,089.27	58,478,291.93	56,533,719.33	-157,649.28	10,270,012.59
Post-employment benefits-defined contribution plans	747,471.65	6,883,115.37	6,773,982.13	-13,372.77	843,232.12
Termination benefits	-	33,401.20	33,401.20	-	-
Total	9,230,560.92	65,394,808.50	63,341,102.66	-171,022.05	11,113,244.71

(b) Short-term employee benefits

Items	31 December 2022	Increase during the reporting period	Decrease during the reporting period	Exchange difference	31 December 2023
Salaries, bonuses, allowances and subsidies	6,736,029.96	50,261,317.99	48,476,713.02	-127,185.50	8,393,449.43
Employee benefits	-	1,073,805.33	1,073,805.33	-	-
Social insurance	251,285.90	2,954,027.32	2,879,999.73	-4,806.71	320,506.78
Health insurance	210,816.55	2,485,693.08	2,422,835.78	-4,038.86	269,634.99
Injury and maternity insurance	37,381.28	359,966.58	351,009.46	-697.93	45,640.47
Maternity compensation	3,088.07	108,367.66	106,154.49	-69.92	5,231.32
Housing accumulation fund	497,454.27	3,195,653.19	3,126,535.63	-8,870.53	557,701.30
Labour union funds and employee education funds	998,319.14	993,488.10	976,665.62	-16,786.54	998,355.08
Total	8,483,089.27	58,478,291.93	56,533,719.33	-157,649.28	10,270,012.59

(c) Defined contribution plans

Items	31 December 2022	Increase during the reporting period	Decrease during the reporting period	Exchange difference	31 December 2023
Post-employment benefits:	747,471.65	6,883,115.37	6,773,982.13	-13,372.77	843,232.12
1. Basic endowment insurance	717,577.65	6,673,926.35	6,569,165.23	-12,837.88	809,500.89
2. Unemployment insurance	29,894.00	209,189.02	204,816.90	-534.89	33,731.23
Total	747,471.65	6,883,115.37	6,773,982.13	-13,372.77	843,232.12

(d) Termination benefits

Items	31 December 2022	Increase during the reporting period	Decrease during the reporting period	Exchange difference	31 December 2023
Employees compensations	-	33,401.20	33,401.20	-	-

5.22 Taxes Payable

Items	31 December 2023	31 December 2022
Corporate income tax	2,034,308.12	3,142,980.09
Individual income tax	1,785,213.66	973,523.73
Urban maintenance and construction tax	160,782.79	248,725.35
Stamp duty	70,864.71	88,796.09
Property tax	83,464.05	84,296.54
Land use tax	11,904.85	12,106.72
Total	4,146,538.18	4,550,428.52

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

5.23 Other Payables

Items	31 December 2023	31 December 2022
Accrued expenses	23,495,102.66	24,467,059.90
Advanced payment by intragroup related party	16,591,166.64	592,465.71
Other transactions	11,722,068.90	-
Intragroup related party loans	8,188,967.48	-
Accrued expense payable	1,876,767.70	3,283,143.03
Equipment engineering payable	1,146,680.23	1,484,412.43
Guarantee fund	322,241.55	287,103.50
Other	46,840.68	43,584.22
Total	63,389,835.84	30,157,768.79

5.24 Non-current Liabilities Maturing within One Year

Items	31 December 2023	31 December 2022
Long-term loan due within one year	70,361,898.24	43,105,251.32
Total	70,361,898.24	43,105,251.32

5.25 Other Current Liabilities

Items	31 December 2023	31 December 2022
Notes receivable that have been endorsed but not expired and have not been derecognized	8,231,117.03	19,777,516.08
Cost of providing service	2,555,738.31	2,410,437.19
Tax payable-reclassification from credit balance of VAT payable	1,997,871.28	2,915,851.30
Total	12,784,726.62	25,103,804.57

5.26 Deferred Income

(a) General information of deferred income

Items	31 December 2022	Increase during the reporting period	Decrease during the reporting period	Exchange difference	31 December 2023
Government grants	1,979,283.33	206,443.90	418,155.67	-31,239.84	1,736,331.72

(b) Items related to government grants

Items	31 December 2022	Increase during the reporting period	Recognised in non-operating income during the reporting period	Recognised in other income during the reporting period	Exchange difference	31 December 2023	Related to assets/Related to profit or loss
Energy independent innovation and key industries revitalization and technological reform (energy equipment) project in 2014	1,313,715.06	-	-	179,677.38	-20,408.70	1,113,628.98	Related to assets
Technological innovation during 2015-2017	185,760.85	-	-	32,034.40	-2,830.61	150,895.84	Related to assets
New generation CAP series PWR of nuclear power plant	120,849.26	-	-	14,237.50	-1,896.50	104,715.26	Related to assets

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Items	31 December 2022	Increase during the reporting period	Recognised in non-operating income during the reporting period	Recognised in other income during the reporting period	Exchange difference	31 December 2023	Related to assets/Related to profit or loss
Low leakage and low fugitive high-end valve project	150,762.43	42,712.53	-	192,206.39	-1,268.57	-	Related to assets
Intellectual property in the field of high-end valve project	64,612.47	-	-	-	-1,077.38	63,535.09	Related to assets
Trademark, brand cultivation and protection project	143,583.26	-	-	-	-2,394.17	141,189.09	Related to assets
Metal materials for liquid hydrogen applications and liquid hydrogen valve products	-	121,018.84	-	-	-1,008.11	120,010.73	Related to assets
Intellectual property and standards integration project	-	42,712.53	-	-	-355.80	42,356.73	Related to assets
Total	1,979,283.33	206,443.90	-	418,155.67	-31,239.85	1,736,331.71	/

5.27 Share Capital

Items	31 December 2022	Changes during the reporting period (+,-)					31 December 2023
		New issues	Bonus issues	Capitalisation of reserves	Others	Subtotal	
Neway Group Co., Ltd.	2,221,836.75	-	-	-	-	-	2,221,836.75
Wang Baoqing	18,029,040.91	-	-	-	-	-	18,029,040.91
Lu Bin	18,029,040.91	-	-	-	-	-	18,029,040.91
Cheng Zhangwen	18,029,040.91	-	-	-	-	-	18,029,040.91
Xi Chao	18,029,040.91	-	-	-	-	-	18,029,040.91
Public unit	36,753,837.04	-	-	-	-	-	36,753,837.04
Restricted stock	-	-	-	-	1,577,585.00	1,577,585.00	1,577,585.00
Total	111,091,837.43	-	-	-	1,577,585.00	1,577,585.00	112,669,422.43

Note: In the year 2023, the company implemented a restricted stock incentive plan, granting a total of 11,326,587 shares of restricted stock to 116 employees, with a grant price of USD 1.02 per share. This resulted in an increase in share capital of USD 1,577,585.00 and a transfer to capital surplus of USD 2,299,896.89. Concurrently,

inventory stocks and other accounts payable were confirmed at USD 11,563,700.07.

5.28 Capital Reserves

Items	31 December 2022	Increase during the reporting period	Decrease during the reporting period	31 December 2023
Capital premium (share premium)	119,740,807.78	9,986,115.07	-	129,726,922.85
Other capital reserves	5,887,867.39	3,494,266.80	-	9,382,134.19
Total	125,628,675.17	13,480,381.87	-	139,109,057.04

5.29 Treasury Stock

Items	31 December 2022	Increase during the reporting period	Decrease during the reporting period	31 December 2023
Treasury stock	-	11,563,700.07	-	11,563,700.07

Note: The Verification Report confirmed that as of November 2, 2023, the company had received subscription payments for 11,326,587 shares of restricted stock from 116 incentive recipients, totaling USD 11,563,700.07.

5.30 Other Comprehensive Income

Items	31 December 2022	Changes during the reporting period					31 December 2023
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
Exchange differences on translating foreign operations	-20,037,166.42	-4,067,418.73	-	-	-	-	-24,104,585.15

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

5.31 Specific Reserves

Items	31 December 2022	Increase during the reporting period	Decrease during the reporting period	31 December 2023
Safety fund	304,291.57	850,802.87	611,017.91	544,076.53

5.32 Surplus Reserves

Items	31 December 2022	Changes of accounting policy	1 January 2023	Increase during the reporting period	Decrease during the reporting period	31 December 2023
Statutory surplus reserves	57,738,517.21	-	57,738,517.21	-	-	57,738,517.21

5.33 Retained Earnings

Items	2023	2022
Balance as at the end of last period before adjustments	172,504,571.33	133,330,414.97
Adjustments for the opening balance (increase /(decrease))	-	-
Balance as at the beginning of the reporting period after adjustments	172,504,571.33	133,330,414.97
Add: net profit attributable to owners of the parent company for the reporting period	98,279,594.93	66,062,348.07
Less: Transfer to statutory surplus reserves	-	-
Common stock dividends payable	38,073,378.80	26,888,191.71
Balance as at the end of the reporting period	232,710,787.46	172,504,571.33

5.34 Revenue and Cost of Sales

Items	2023		2022	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	646,722,090.63	460,026,466.53	502,698,708.88	361,927,787.67
Other activities	2,559,391.03	4,150,618.69	1,901,470.56	1,652,304.17
Total	649,281,481.66	464,177,085.22	504,600,179.44	363,580,091.84

5.35 Taxes and Surcharges

Items	2023	2022
Urban maintenance and construction tax	1,492,105.15	1,356,581.53
Educational surcharge	1,065,789.39	969,004.00
Property tax	336,655.81	356,111.07
Land usage tax	48,019.39	50,564.27
Stamp duty	351,249.55	234,307.63
Other	2,654.61	4,814.65
Total	3,296,473.90	2,971,383.15

容诚会计师事务所(特殊普通合伙)苏州分所 审核专用章

5.36 Selling and Distribution Expenses

Items	2023	2022
Sales and service expense (Commission)	10,440,764.78	9,587,585.96
Employee's compensation	10,151,625.44	9,502,538.95
Packing expense	6,131,864.71	5,386,564.51
Contract penalty	1,702,265.56	3,920,573.22
After service fee	1,782,871.34	1,893,471.64
Business entertainment expense	748,216.05	460,410.82

Items	2023	2022
Market development expense	313,830.78	457,609.23
Travel expense	950,341.65	425,588.85
Advertising fee	449,132.06	383,600.75
Commodity inspection fee	128,659.18	237,696.18
Administrative expenses	111,586.49	127,818.19
Others	4,028,287.95	2,667,851.53
Total	36,939,445.99	35,051,309.83

5.37 General and Administrative Expenses

Items	2023	2022
Employee's compensation	7,231,015.93	6,453,654.32
Property costs	1,316,515.67	1,167,847.71
Depreciation	768,493.97	692,998.13
IT software fee	618,387.88	441,510.32
Third-party verification fee	342,136.01	268,781.84
Rental fees	547,444.83	181,877.05
Business entertainment expense	141,670.14	129,724.04
Communication fee	144,628.88	104,767.76
Car expenses	95,519.84	101,897.59
Travel expenses	83,510.88	46,269.83
Material consumption	47,853.86	38,382.63
Office expenses	29,238.37	36,846.40
Consulting service fee	96,977.53	24,319.07
Legal expenses	12,143.05	18,069.60
Amortization of intangible assets	4,702.84	1,572.76
Other	1,065,264.19	800,453.06
Total	12,545,503.87	10,508,912.11

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

5.38 Research and Development Expenses

Items	2023	2022
Material consumption	18,277,249.61	11,495,152.87
Staff expenses	7,387,101.15	7,974,384.11
Labour expenses	376,364.02	624,788.92
Depreciation	584,002.22	583,713.80
Rental fees	139,987.83	61,823.52
Test inspection fee	87,298.04	260,724.01

Items	2023	2022
Consulting service fee	130,333.01	157,653.14
Software maintenance fee	121,305.78	123,170.17
Third-party verification fee	46,253.10	41,790.88
Business entertainment expense	71,990.49	41,191.76
Travel expenses	106,060.03	32,031.62
Utility bills	49,528.96	42,987.20
Office expenses	21,544.91	17,718.95
Other	306,800.89	199,040.02
Research and development prototype	-6,921,485.80	-
Total	20,784,334.24	21,656,170.97

Note: The negative amount for research and development prototypes represents the audit adjustment transferred from prototype sales costs.

5.39 Finance Costs

Items	2023	2022
Interest expenses	4,369,403.88	2,720,438.92
Including: Interest expenses for lease liabilities	-	17,904.04
Less: Interest income	5,931,989.53	2,076,807.58
Net interest expenses	-1,562,585.65	643,631.34
Net foreign exchange losses	-5,280,581.95	-11,885,369.07
Bank charges	1,038,160.20	597,858.03
Total	-5,805,007.40	-10,643,879.70

苏诚会计师事务所(特殊普通合伙)南京分所
审核专用章

5.40 Other Income

Items	2023	2022	Related to assets /income
1. Government grant recognised in other imcome	3,659,601.78	1,127,529.91	
Including: Government grant related to deferred income (related to assets)	418,155.67	237,923.90	Related to assets
Government grant directly recognised in current profit or loss (related to income)	3,241,446.11	889,606.01	Related to income
2. Others related to daily operation activities and recognised in other income	37,363.51	45,256.78	
Including: Charges of withholding individual income tax	37,363.51	45,256.78	
Total	3,696,965.29	1,172,786.69	

5.41 Investment Losses

Items	2023	2022
Investment income from long-term equity investments under cost method	1,096,848.23	-
Wealth management products and structured deposit income	5,359.62	156,037.78
Gain on discounting of bills ("-" indicates a loss)	-232,212.92	-308,401.76
Forward foreign exchange contract losses	-11,915,486.14	-
Total	-11,045,491.21	-152,363.98

5.42 Gains from Changes in Fair Values

Sources of gains on changes in fair value	2023	2022
Financial liabilities held-for-trading	335,729.32	-

5.43 Credit Impairment Losses

Items	2023	2022
Bad debt of accounts receivable and contract assets	-5,231,047.37	-2,570,948.89
Total	-5,231,047.37	-2,570,948.89

5.44 Asset Impairment Gains/ (Losses)

Items	2023	2022
Impairment of inventories	1,469,224.29	-2,804,898.44
Impairment of contract assets	1,061,317.38	-1,640,040.94
Total	2,530,541.67	-4,444,939.38

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

5.45 Gains/ (Losses) from Disposal of Assets

Items	2023	2022
Gains/(losses) from disposal of fixed assets, construction in progress, right-of use assets and intangible assets not classified as held for sale	-45,625.13	103,510.71
Including: Fixed assets	-45,625.13	115,290.85
Right-of use assets	-	-11,780.14
Total	-45,625.13	103,510.71

5.46 Non-operating Income

(a) Details of non-operating income

Items	2023	2022	Recognised in current extraordinary gains and losses
Non-payable liabilities	3,333,192.48	-	3,333,192.48
Gains from disposal of	35,967.47	18,585.65	35,967.47

Items	2023	2022	Recognised in current extraordinary gains and losses
fine & donations ("-" for losses)			
Gains from disposals of others ("-" for losses)	2.75	46,339.73	2.75
Compensation	-	204,275.36	-
Total	3,369,162.70	269,200.74	3,369,162.70

Note: The company reached an out-of-court settlement with Channel and HJ ASMUSS. According to the settlement agreement, the company was required to pay 4.35 million New Zealand dollars. However, as the company had commercial comprehensive liability insurance, this case was covered by the insurance policy. On January 10, 2024, the above amount was compensated by the insurance company, and the settlement took effect, resulting in a non-payable liability for the company.

5.47 Non-operating Expenses

Items	2023	2022	Recognised in current extraordinary gains and losses
External donation	22,068.14	23,349.00	22,068.14
Non-current assets damage	1,842.69	89,192.06	1,842.69
Fine expenditure	77.37	-	77.37
Others	-	140.73	-
Total	23,988.20	112,681.79	23,988.20

5.48 Income Tax Expenses

(a) Details of income tax expenses

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Items	2023	2022
Current tax expenses	13,910,089.89	11,592,977.59
Deferred tax expenses	-1,259,791.91	-1,914,570.32
Total	12,650,297.98	9,678,407.27

5.49 Supplementary Information to the Statement of Cash Flows

(a) Supplementary information to the statement of cash flows

Supplementary information	2023	2022
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	98,279,594.93	66,062,348.07
Add: Provisions for impairment of assets	-2,530,541.67	4,444,939.38
Impairment Loss of Credit	5,231,047.37	2,570,948.89

Supplementary information	2023	2022
Depreciation of fixed assets, Investment Properties, oil and gas asset and productive biological assets	8,113,225.70	6,887,480.94
Depreciation of right to use assets	-	135,693.84
Amortisation of intangible assets	519,106.86	563,018.46
Amortisation of deferred income	418,155.67	237,923.90
Losses /(gains) on disposal of fixed assets, intangible assets and other long-term assets	45,625.13	-103,510.71
Finance costs /(income)	-6,843,167.61	-9,164,930.14
Investment losses /(income)	11,045,491.21	152,363.98
Decreases /(increases) in deferred tax assets	-1,259,791.91	-1,914,570.32
Decreases /(increases) in inventories	-22,324,172.74	-57,576,103.90
Employee stock ownership plan expenses	2,188,842.35	1,155,057.50
Decreases /(increases) in operating receivables	-56,458,314.49	-36,991,568.25
Increases /(decreases) in operating payables	61,172,487.71	88,723,710.24
Restricted cash reduction	1,070.47	5,391,976.82
Net cash flows from operating activities	97,598,658.98	70,574,778.70
(ii) Significant activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Assets under leases(other than leases under simplified method)		
Vendor financing arrangements not involving cash receipts and payments		
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	136,409,380.23	80,697,546.06
Less: Restricted cash at the end of the reporting period	2.13	1,072.60
Less: Cash at the beginning of the reporting period	80,697,546.06	52,103,864.75
Add: Restricted cash at the beginning of the reporting period	1,072.60	5,393,049.42
Add: Cash equivalents at the end of the reporting period	-	-
Less: Cash equivalents at the beginning of the reporting period	-	-
Net increase in cash and cash equivalents	55,712,904.64	33,985,658.13

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(b) The components of cash and cash equivalents

Items	31 December 2023	31 December 2022
(i) Cash	136,409,378.10	80,696,473.46

Items	31 December 2023	31 December 2022
Including: Cash on hand	-	-
Cash in bank available for immediate use	136,409,273.81	80,696,365.23
Other monetary funds available for immediate use	104.29	108.23
(ii) Cash equivalents	-	-
(iii) Cash and cash equivalents at the end of the reporting period	136,409,378.10	80,696,473.46
Including: Restricted cash and cash equivalents	-	-

5.50 Restricted Assets

Items	Carrying amount at 31 December 2023	Reason
Cash and cash equivalents	2.13	Bank's acceptance of draft deposit and guarantee deposit with a period of less than one year

5.51 Government Grants

(a) Liability items that involve government grants

Items presented in the statement of financial position	Balance as at 31 December 2022	Increase in government grants during the reporting period	Amount recognised in non-operating income during the reporting period	Amount recognised in other income during the reporting period	Exchange difference	Balance as at 31 December 2023	Related to assets or income
Deferred income	1,979,283.33	206,443.90	-	418,155.67	-31,239.84	1,736,331.72	Related to assets
Total	1,979,283.33	206,443.90	-	418,155.67	-31,239.84	1,736,331.72	

(b) Government grants recognised in current profit or loss

Items presented in income statement	2023	2022
Other income	3,696,965.29	1,172,786.69
Total	3,696,965.29	1,172,786.69

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

5.52 Leases

(a) The Company as a lessee

Items	2023
Expenses for short-term lease under simplified method	2,420,944.35
Cash outflows related to leases	2,420,944.35

(b) The Company as a lessor

The Company did not act as a lessor in the current period.

6. RESEARCH AND DEVELOPMENT EXPENDITURES

6.1 R&D expenditures by nature

Items	2023	2022
Material consumption	18,277,249.61	11,495,152.87
Staff expenses	7,387,101.15	7,974,384.11
Labour expenses	376,364.02	624,788.92
Depreciation	584,002.22	583,713.80
Rental fees	139,987.83	61,823.52
Test inspection fee	87,298.04	260,724.01
Consulting service fee	130,333.01	157,653.14
Software maintenance fee	121,305.78	123,170.17
Third-party verification fee	46,253.10	41,790.88
Business entertainment expense	71,990.49	41,191.76
Travel expenses	106,060.03	32,031.62
Utility bills	49,528.96	42,987.20
Office expenses	21,544.91	17,718.95
Other	306,800.89	199,040.02
Research and development prototype	-6,921,485.80	-
Total	20,784,334.24	21,656,170.97
Including：Expensed R&D expenditures	20,784,334.24	21,656,170.97
Capitalized R&D expenditures		

Note: The negative amount for research and development prototypes represents the audit adjustment transferred from prototype sales costs.

容诚会计师事务所（特殊普通合伙）南京分所 审核专用章

7. FAIR VALUE DISCLOSURES

The inputs used in the fair value measurement in its entirety are to be classified in the level of the hierarchy in which the lowest level input that is significant to the measurement is classified.

Level 1: Inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs for the assets or liabilities (other than those included in Level 1) that are either directly or indirectly observable.

Level 3: Inputs are unobservable inputs for the assets or liabilities

7.1 Assets and Liabilities Measured at Fair Value at 31 December 2023

Items	Fair value at 31 December 2023			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements	-	-	7,537,440.41	7,537,440.41
(a) Accounts receivable financing	-	-	7,537,440.41	7,537,440.41
Nonrecurring fair value measurements	-	-	-	-

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

8.1 General Information of the Parent Company

(a) Ultimate controlling party of the Company

The ultimate controlling party of the Company: Baoqing Wang, Bin Lu, Chao Xi and Zhangwen Cheng. The foregoing four are parties acting in concert. As of December 31, 2023, Wang Baoqing, Lu Bin, Xi Chao and Cheng Zhangwen held 64.92% of the shares and 64.92% of the voting rights of the Company.

8.2 General Information of Subsidiaries

Name	Principal place of business	Registration place	Business nature	Shareholding%		Acquisition method
				Direct	Indirect	
NEWAY INDUSTRIAL (SUZHOU) CO., LTD.	China	Suzhou	Manufacture of castings	90.07	9.93	Combination under same control
NEWAY INDUSTRIAL MATERIALS (DAFENG) CO., LTD.	China	Dafeng	Manufacture of castings	87.75	12.25	Combination under same control
BESTWAY TECHNOLOGIES LIMITED	China	Hong Kong	Investment	100.00	-	Combination under same control
DONGWU MECHANICAL (WUJIANG) CO., LTD.	China	Wujiang	Valve manufacture	60.00	-	Combination under different control
SUZHOU HECHUANG TESTING TECHNOLOGY CO., LTD.	China	Wujiang	Testing service	-	60.00	Establish
NEWAY OIL EQUIPMENT (SUZHOU) CO., LTD.	China	Suzhou	Valve manufacture	93.17	6.83	Combination under different control
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	China	Liyang	Manufacture of castings	100.00	-	Establish
NEWAY FLOW CONTROL (SUZHOU) CO., LTD.	China	Suzhou	Valve manufacture	100.00	-	Establish
NEWAY FLOW TECHNOLOGY (LIANYUNGANG) CO., LTD.	China	Lianyungang	Valve Sale	60.00	-	Establish
NEWAY TECHNOLOGY (YANTAI) CO., LTD.	China	Yantai	Valve Sale	100.00	-	Establish
NEWAY FLOW TECHNOLOGY (CHENGDU) CO., LTD.	China	Chengdu	Valve Sale	-	60.00	Establish
NEWAY OIL FIELD EQUIPMENT LLC	America	America	Valve Sale	-	100.00	Establish
NEWAY FLOW CONTROL INC	America	America	Valve Sale	100.00	-	Establish

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Name	Principal place of business	Registration place	Business nature	Shareholding%		Acquisition method
				Direct	Indirect	
NEWAY VALVE INTERNATIONAL INC	America	America	Valve Sale	100.00	-	Establish
NEWAY VALVE (EUROPE) B.V.	Netherlands	Netherlands	Valve Sale	100.00	-	Establish
NEWAY VALVE (EUROPE) S.R.L	Italy	Italy	Valve Sale	-	100.00	Establish
NEWAY VALVE (SINGAPORE) PTE.LTD	Singapore	Singapore	Valve Sale	100.00	-	Establish
NEWAY FLOW CONTROL FZE	UAE	UAE	Valve Sale	100.00	-	Establish
NEWAY FLUID EQUIPMENT VIETNAM COMPANY LIMITED	Vietnam	Vietnam	Valve manufacture	-	100.00	Establish
NEWAY VALVE WEST AFRICA FZE	Nigeria	Nigeria	Valve manufacture	100.00	-	Establish

8.3 Other Related Parties of the Company

Name	Relationship with the Company
NEWAY GROUP CO., LTD.	Companies under the same control of ultimate controlling shareholders
NEWAY CNC EQUIPMENT (SUZHOU) CO., LTD.	Companies under the same control of ultimate controlling shareholders
MAINTENANCE SERVICES GULF	Joint ventures with significant impact
ABAHSAIN NEWAY INDUSTRIAL COMPANY LIMITED	Associated enterprises with significant impact
DIRECTORS, SUPERVISORS, CFO AND BOARD SECRETARY	Key management personnel

8.4 Related Party Transactions

(a) Purchases or sales of goods, rendering or receiving of services

Purchases of goods, receiving of services:

Related parties	Nature of the transaction(s)	2023	2022
NEWAY CNC EQUIPMENT (SUZHOU) CO., LTD.	Equipment	2,955,888.29	1,413,913.87
NEWAY CNC EQUIPMENT (SUZHOU) CO., LTD.	Cost	114,323.38	69,580.02
NEWAY GROUP CO., LTD.	Hotel accommodation, conference reception, property fees	129,000.95	55,674.21
MAINTENANCE SERVICES GULF	Cost	82,946.92	14,088.50
NEWAY INDUSTRIAL MATERIALS (SUZHOU) CO.,LTD.	Materials	55,802,818.95	55,632,331.16
NEWAY INDUSTRIAL MATERIALS (SUZHOU) CO.,LTD.	Cost	3,710,982.63	3,494,988.66
NEWAY INDUSTRIAL MATERIALS (DAFENG) CO.,LTD.	Materials	18,160,361.06	22,582,475.19
NEWAY INDUSTRIAL MATERIALS (DAFENG) CO.,LTD	Cost	1,369,888.05	1,202,468.00
NEWAY OIL EQUIPMENT (SUZHOU) CO.,LTD.	Materials	1,667,618.06	1,025,301.17
DONGWU MECHANICAL (WUJIANG) CO.,LTD.	Materials	175,483.10	288,495.02
NEWAY PRECISION FORGING (LI YANG) CO., LTD.	Materials	25,842,756.64	16,912,043.25

[illegible]会计师事务所(特殊普通合伙)南京分所 审核专用章

Related parties	Nature of the transaction(s)	2023	2022
NEWAY PRECISION FORGING (LI YANG) CO., LTD.	Cost	660,758.86	282,769.53
NEWAY FLOW CONTROL (SUZHOU) CO., LTD.	Materials	328,126.83	-
NEWAY FLOW CONTROL (SUZHOU) CO., LTD.	Long-term assets	10,222,272.40	-
NEWAY FLOW TECHNOLOGY (LIANYUNGANG) CO., LTD.	Cost	42,507.55	-
NEWAY VALVE INTERNATIONAL INC	Materials	-	156,474.44
NEWAY VALVE (EUROPE) S.R.L	Commissioned R&D expenses	615,960.12	649,352.99
NEWAY FLOW CONTROL FZE	Materials	4,117,011.87	672,565.86

Sales of goods and rendering of services:

Related parties	Nature of the transaction(s)	2023	2022
NEWAY INDUSTRIAL MATERIALS (SUZHOU) CO., LTD.	Goods	360,078.60	14,806.44
NEWAY OIL EQUIPMENT (SUZHOU) CO., LTD.	Goods	112,178.15	391,421.36
DONGWU MECHANICAL (WUJIANG) CO.,LTD.	Goods	5,715.16	-
NEWWAY FLUID TECHNOLOGY (LIANYUNGANG) CO., LTD.	Goods	5,014.63	66,474.20
NEWAY TECHNOLOGY (YANTAI) CO., LTD.	Goods	25,071.39	45,737.23
NEWAY FLOW TECHNOLOGY (CHENGDU) CO., LTD.	Goods	4,782.80	-
NEWAY FLOW CONTROL INC	Goods	59,565,623.93	32,777,345.69
NEWAY VALVE (SINGAPORE) PTE.LTD	Goods	13,896,565.10	12,817,123.79
NEWAY VALVE INTERNATIONAL INC	Goods	46,841,022.12	38,419,498.30
NEWAY VALVE (EUROPE) B.V.	Goods	11,130,760.89	9,123,799.91
NEWAY VALVE (EUROPE) S.R.L	Goods	47,836,393.55	15,416,981.43
NEWAY VALVE WEST AFRICA FZE	Goods	3,043,139.37	2,976,162.31
ABAHSAIN NEWAY INDUSTRIAL COMPANY LIMITED	Goods	5,815,307.41	4,509,782.07
MAINTENANCE SERVICES GULF	Goods	4,810.80	2,898.69

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

(b) Leases

The Company as lessee:

The lessor	Type of assets	2023				
		Expenses for short-term lease and lease of low value asset under simplified method	Variable lease payments not included in lease liabilities	Lease payment for current period	Interest expense of lease liabilities	Increase in right-of-use assets
NEWAY GROUP CO., LTD.	Building	539,048.93	-	539,049.22	-	-
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	Building	110,485.93	-	125,852.44	-	-
NEWAY FLOW CONTROL (SUZHOU) CO.,	Building	2,064,101.12	-	1,759,909.89	-	-

The lessor	Type of assets	2023				
		Expenses for short-term lease and lease of low value asset under simplified method	Variable lease payments not included in lease liabilities	Lease payment for current period	Interest expense of lease liabilities	Increase in right-of-use assets
LTD.						

(Continued)

The lessor	Type of assets	2022				
		Expenses for short-term lease and lease of low value asset under simplified method	Variable lease payments not included in lease liabilities	Lease payment for current period	Interest expense of lease liabilities	Increase in right-of-use assets
NEWAY GROUP CO., LTD.	Building	178,131.35	-	194,163.17	-	-
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	Building	63,446.37	-	69,156.55	-	-
NEWAY FLOW CONTROL (SUZHOU) CO., LTD.	Building	712,671.84	-	-	-	-

(c) Transfers of assets and debt restructuring

Related parties	Amount	Effective date	Expiry date
Lending			
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	433,005.05	2021/10/14	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	594,289.91	2021/10/14	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	169,426.91	2021/10/19	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	183,545.82	2021/10/22	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2021/11/1	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,920,171.69	2021/11/1	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2021/11/1	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2021/11/4	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2021/11/8	2023/1/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	705,945.47	2021/11/10	2023/2/28
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	494,161.83	2021/11/15	2023/2/28
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2021/11/25	2023/2/28
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	94,285.79	2021/12/1	2023/3/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2021/12/1	2023/3/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2021/12/3	2023/3/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	423,567.28	2021/12/7	2023/3/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	423,567.28	2021/12/15	2023/4/30
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2021/12/16	2023/4/30
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	705,945.47	2021/12/24	2023/4/30
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2021/12/28	2023/4/30
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/1/7	2023/4/30
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/1/11	2023/4/30
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2022/1/14	2023/5/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/1/14	2023/5/31

税务所(特殊普通合伙)南京分所 审核专用章

Related parties	Amount	Effective date	Expiry date
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/1/17	2023/5/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	3,953,294.65	2022/1/24	2023/10/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/1/26	2023/10/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	733,369.97	2022/1/26	2023/10/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	960,899.16	2022/1/26	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,946,835.26	2022/1/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	312,896.14	2022/2/28	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/3/15	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2022/3/17	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/3/18	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	677,059.52	2022/3/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/4/2	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/4/14	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2022/4/15	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	705,945.47	2022/4/21	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	772,593.93	2022/4/30	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/5/5	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	494,161.83	2022/5/13	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	211,783.64	2022/5/16	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/5/17	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/5/17	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	352,972.74	2022/5/18	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/5/19	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	847,134.57	2022/5/23	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	352,972.74	2022/5/24	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	366,776.86	2022/5/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/6/2	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2022/6/8	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	211,783.64	2022/6/9	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2022/6/10	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2022/6/15	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/6/16	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/6/21	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	270,478.52	2022/6/29	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/7/22	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2022/7/25	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/7/26	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/7/29	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,975,103.90	2022/7/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2022/8/15	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/8/16	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/8/18	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/8/26	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	550,811.26	2022/8/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/9/1	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	211,783.64	2022/9/6	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	423,567.28	2022/9/8	2023/12/31

会计师事务所(特殊普通合伙)审核专用章

Related parties	Amount	Effective date	Expiry date
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2022/9/15	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/9/21	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/9/28	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	350,645.76	2022/9/30	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/10/11	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/10/13	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/10/13	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	352,972.74	2022/10/13	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	494,161.83	2022/10/14	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/10/21	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/10/24	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/10/26	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/10/26	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	271,647.82	2022/10/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/11/1	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	423,567.28	2022/11/8	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/11/9	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/11/14	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	705,945.47	2022/11/15	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/11/16	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/11/23	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/11/23	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2022/11/24	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2022/11/29	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	989,754.81	2022/11/30	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2022/12/13	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	761,842.24	2022/12/30	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	295,930.76	2022/12/30	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2023/1/11	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2023/1/13	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	352,972.74	2023/1/17	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2023/1/19	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,934,572.69	2023/1/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2023/2/6	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2023/2/15	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	847,134.57	2023/2/17	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2023/2/20	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2023/2/24	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2023/2/27	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,283,318.44	2023/2/28	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2023/3/1	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	705,945.47	2023/3/14	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2023/3/15	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2023/3/20	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2023/3/20	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,003,579.60	2023/3/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2023/4/3	2023/12/31

Related parties	Amount	Effective date	Expiry date
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2023/4/14	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	988,323.66	2023/4/18	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,976,957.37	2023/4/30	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	70,594.55	2023/5/5	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	98,832.37	2023/5/8	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	705,945.47	2023/5/12	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,129,512.76	2023/5/22	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	141,189.09	2023/5/25	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,491,681.36	2023/5/31	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	635,350.93	2023/6/20	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	10,037,189.13	2023/6/30	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	282,378.19	2023/12/25	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	564,756.38	2023/12/26	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	423,567.28	2023/12/27	2023/12/31
NEWAY PRECISION FORGING (LIYANG) CO., LTD.	1,308,895.71	2023/12/28	2023/12/31

(d) Key management personnel compensation

Items	2023	2022
Key management personnel compensation	2,945,159.47	1,942,005.94

8.5 Receivables and Payables with Related Parties

(a) Receivables

Items	Related parties	31 December 2023		31 December 2022	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	ABAHSAIN NEWAY INDUSTRIAL COMPANY LIMITED	4,624,541.41	-	4,154,288.00	3,500.97
Accounts receivable	MAINTENANCE SERVICES GULF	522.93	-	-	-
Accounts receivable	NEWAY INDUSTRIAL MATERIALS (SUZHOU) CO., LTD.	445,521.33	-	25.46	-
Accounts receivable	NEWAY CNC EQUIPMENT (SUZHOU) CO., LTD.	178,842.27	-	202,440.50	-
Accounts receivable	NEWAY FLOW CONTROL INC	3,739,859.52	-	3,739,859.52	-
Accounts receivable	NEWAY VALVE INTERNATIONAL INC	10,849,445.03	-	9,523,414.36	-
Accounts receivable	NEWAY VALVE (EUROPE) S.R.L	29,911,771.45	-	17,283,128.42	-
Accounts receivable	NEWAY FLOW CONTROL FZE	32,762,019.26	-	28,407,457.10	-
Accounts receivable	NEWAY VALVE (SINGAPORE) PTE.LTD	3,063,171.87	-	4,911,748.06	-
Accounts receivable	NEWAY VALVE WEST AFRICA FZE	7,353.20	-	-	-
Accounts receivable	DONGWU MECHANICAL (WUJIANG) CO., LTD.	-	-	749.28	-
Accounts receivable	NEWAY FLOW TECHNOLOGY (LIANYUNGANG) CO., LTD.	24,145.22	-	86,324.18	-
Accounts receivable	NEWAY TECHNOLOGY (YANTAI) CO., LTD.	43,816.08	-	81,208.59	-

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

Items	Related parties	31 December 2023		31 December 2022	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	NEWAY PRECISION FORGING (LIYANG) CO., LTD.	219,697.59	-	605.81	-
Accounts receivable	NEWAY FLOW TECHNOLOGY (CHENGDU) CO., LTD.	22,636.81	-	-	-
Other receivable	NEWAY TECHNOLOGY (YANTAI) CO., LTD.	-	-	48,100.39	-
Other receivable	BESTWAY TECHNOLOGIES LIMITED	-	-	325,252.49	-
Other receivable	NEWAY PRECISION FORGING (LIYANG) CO., LTD.	56,078,616.86	-	39,402,559.08	-
Other receivable	NEWAY VALVE WEST AFRICA FZE	-	-	63,176.64	-
Prepayments	NEWAY PRECISION FORGING (LIYANG) CO., LTD.	-	-	1,919,751.74	-
Prepayments	NEWAY FLOW CONTROL FZE	-	-	825.35	-
Prepayments	MAINTENANCE SERVICES GULF	26,391.36	-	-	-
Other non-current assets	NEWAY CNC EQUIPMENT (SUZHOU) CO., LTD.	90,933.07	-	732,726.75	-

(b) Payables

Items	Related parties	31 December 2023	31 December 2022
Other payables	NEWAY VALVE (EUROPE) S.R.L	628,263.97	321,195.04
Other payables	NEWAY VALVE (SINGAPORE) PTE.LTD	-	2,487.75
Other payables	NEWAY OIL FIELD EQUIPMENT LLC	262,324.48	266,772.76
Other payables	NEWAY INDUSTRIAL MATERIALS (DAFENG) CO., LTD.	13,900,578.19	
Other payables	BESTWAY TECHNOLOGIES LIMITED	1,800,000.00	
Other payables	DONGWU MECHANICAL (WUJIANG) CO., LTD.	-	2,010.17
Other payables	NEWAY FLOW CONTROL (SUZHOU) CO., LTD.	8,188,967.48	-
Accounts payable	NEWAY INDUSTRIAL MATERIALS (SUZHOU) CO., LTD.	23,794,663.96	27,222,158.92
Accounts payable	NEWAY INDUSTRIAL MATERIALS (DAFENG) CO., LTD.	12,146,523.23	12,289,076.62
Accounts payable	NEWAY OIL EQUIPMENT (SUZHOU) CO., LTD.	1,809,216.14	329,699.40
Accounts payable	DONGWU MECHANICAL (WUJIANG) CO., LTD.	151,619.44	194,744.62
Accounts payable	NEWAY PRECISION FORGING (LIYANG) CO., LTD.	7,313,196.66	150,993.84
Accounts payable	NEWAY VALVE INTERNATIONAL INC	419,514.67	419,485.10
Accounts payable	NEWAY VALVE (EUROPE) B.V.	26,663.22	813,468.37
Accounts payable	NEWAY VALVE (EUROPE) S.R.L	95,275.95	102,300.00
Accounts payable	NEWAY FLOW CONTROL FZE	3,069,971.73	778,542.39
Accounts payable	NEWAY FLOW CONTROL (SUZHOU) CO., LTD.	752,323.59	28,840.37
Contract liability	NEWAY VALVE WEST AFRICA FZE	-	1,705,455.13
Contract liability	NEWAY VALVE (EUROPE) B.V.	-	3,527,352.73

[illegible]会计师事务所(特殊普通合伙)南京分所 审核专用章

9. SHARE-BASED PAYMENTS

9.1 General Information of Share-based Payment

	2023	2022
Total amount of equity instruments granted during the reporting period	12,836,486.83	-
Total amount of equity instruments exercised during the reporting period	-	-
Total amount of equity instruments expired during the reporting period	-	-
Range of exercise prices of share options outstanding at the period end and remaining contract period	-	-
Range of exercise prices of other equity instruments outstanding at the period end and remaining contract period	-	-

9.2 Equity-settled Share-based Payment

	2023	2022
Cumulative amount of equity-settled share-based payment recognised as capital reserve	9,813,205.07	6,394,861.44
Amount of equity-settled share-based payment as expenses in the reporting period	3,418,322.54	1,646,361.60

10. COMMITMENTS AND CONTINGENCIES

10.1 Significant Commitments

The nature and amount of significant commitments existing at the balance sheet date:

(a) Capital commitments:

Capital commitment with contract signed	31 December 2023	31 December 2022
Commitment for purchase of long-term assets	2,340,022.43	3,030,488.23

As at 31 December 2023, the Company has no significant commitments need to be disclosed.

10.2 Contingencies

As at 31 December 2023, the Company has no significant contingencies need to be disclosed.

容诚会计师事务所(特殊普通合伙)南京分所 审核专用章

11. EVENTS AFTER THE REPORTING PERIOD

Considering the interests of the company's shareholders and the long-term development of the company, based on the total share capital on the registration date for equity distribution, the company will distribute a cash dividend of RMB 5.20 per 10 shares to all shareholders (tax included), with the remaining undistributed profits carried over to the next fiscal year. There will be no increase in share capital or bonus shares for the current fiscal year. Based on calculations, the total share capital participating in this profit distribution as of the registration date is 760,388,587 shares, and the estimated total cash dividend to be distributed by the company will not exceed RMB 395,402,065.24 (tax included).

Apart from this, the Company has no other post-balance sheet events as at the reporting date.

Name of the Company: Neway Valve (Suzhou) Company Limited

Date: 26 April, 2024

编 号 320105000202101180104

统一社会信用代码

91320105MA1YT89J23 (1/1)

营业执照

(副 本)

扫描二维码登录“国家企业信用信息公示系统”了解更多登记、备案、许可、监管信息。

名 称 容诚会计师事务所（特殊普通合伙）南京分所

类 型 特殊普通合伙企业分支机构

负 责 人 涂振连

经营范围 承接公司业务：审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账（须取得许可或批准后方可经营）；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（依法须经批准的项目，经相关部门批准后方可开展经营活动）

成立日期 2019年07月29日

营业期限 2019年07月29日至******

营业场所 南京市建邺区贤坤路3号1幢3层A单元

容诚会计师事务所(特殊普通合伙)
业务报告附件专用

登记机关

2021 年 01 月 18 日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

证书序号：5003629

会计师事务所分所

执业证书

名　　称：容诚会计师事务所（特殊普通合伙）南京分所

负 责 人：涂振连

经营场所：南京市建邺区贤坤路3号1幢3层A单元

分所执业证书编号：110100323203

批准执业文号：苏财会（2019）42

批准执业日期：2019年08月20日

容诚会计师事务所(特殊普通合伙)
业务报告附件专用

说　明

1、《会计师事务所分所执业证书》是证明会计师事务所经财政部门依法审批，准予持证分所执行业务的凭证。

2、《会计师事务所分所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所分所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所分所终止或执业许可注销的，应当向财政部门交回《会计师事务所分所执业证书》。

发证机关：江苏省财政厅

二〇二一年 一 月二十八日

中华人民共和国财政部制

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

支彩琴(320504010018)
您已通过2019年年检
江苏省注册会计师协会

支彩琴(320504010018)
您已通过2020年年检
江苏省注册会计师协会

年 月 日
/y /m /d

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

支彩琴(320504010018)
您已通过2021年年检
江苏省注册会计师协会

年 月 日
/y /m /d

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred out

江苏省注册会计师协会
JICPA
Stamp for the transfer-out institute of CPAs
特许专用章

同意调入
Agree the holder to be transferred in

JICPA
特许专用章

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

支彩琴 320504010018

会计师事务所(特殊普通合伙)
业务报告附件专用

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

支彩琴(320504010018)
您已通过2017年年检
江苏省注册会计师协会

支彩琴(320504010018)
您已通过2018年年检
江苏省注册会计师协会

年 月 日
/y /m /d

证书编号：
No. of Certificate

批准注册协会：
Authorized Institute of CPAs

发证日期：
Date of Issuance

2017 04 20

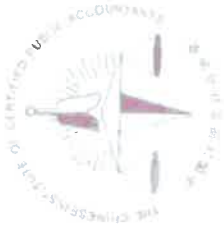
5

Working Unit
工作单位

Identity card No.
身份证号码

会计师事务所(特殊普通合伙)
91510124551241851

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会







容诚会计师事务所(特殊普通合伙)
业务报告附件专用

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

容诚会计师事务所(特殊普通合伙)南京分所
审核专用章

证书编号：
No. of Certificate 110100321169

批准注册协会：
Authorized Institute of CPAs 江苏省注册会计师协会

发证日期：
Date of Issuance 2023 年 04 月 28 日

年 月 日